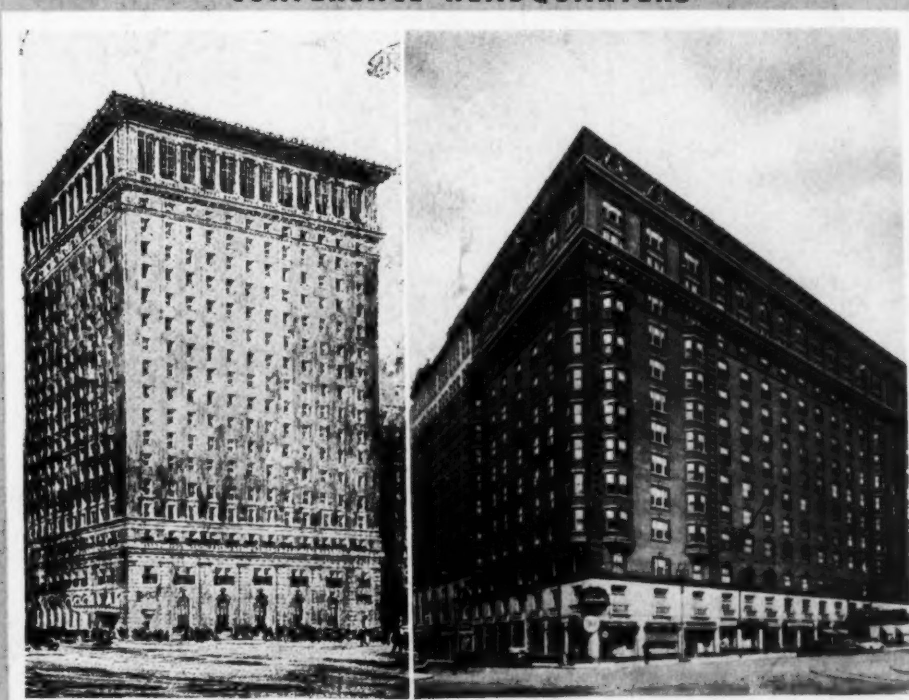
The Credit World

MAY 1947

CONFERENCE HEADQUARTERS



HOTEL STATLER HOTEL JEFFERSON

33rd ANNUAL BUSINESS CONFERENCE
NATIONAL RETAIL CREDIT ASSOCIATION

St. Louis, Missouri ★ June 16-19, 1947

67,000,000

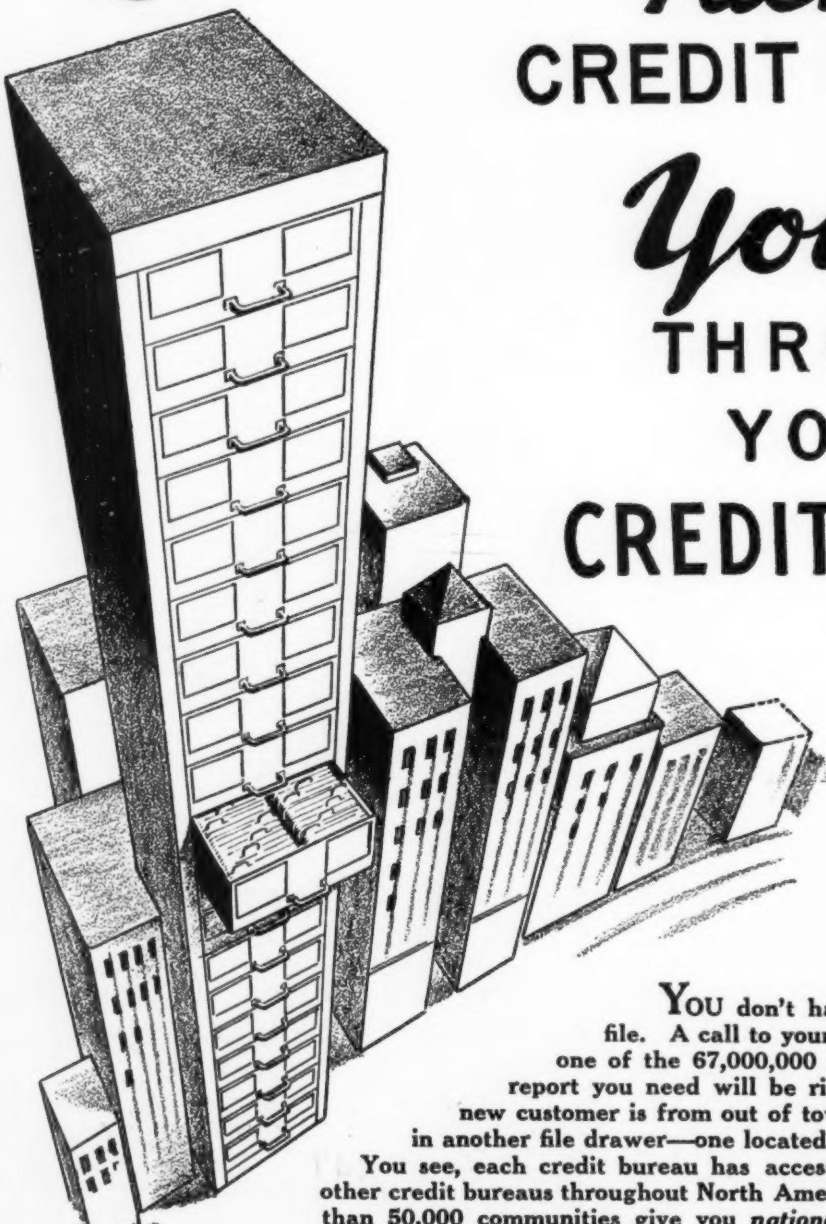
Factbilt

CREDIT REPORTS

Yours

THROUGH YOUR

CREDIT BUREAU



YOU don't have to be Superman to use this file. A call to your credit bureau will give you any one of the 67,000,000 records in it. Chances are, the report you need will be right in the local office. If your new customer is from out of town, it is a simple matter to look in another file drawer—one located in his home town credit bureau. You see, each credit bureau has access to all the records in the 1,358 other credit bureaus throughout North America. These bureaus serving more than 50,000 communities give you *national* credit coverage—FACTBILT reporting service as personal and complete as you get in your own home town.

Associated Credit Bureaus of America

Credit Bureau and Collection Service Divisions

1218 OLIVE STREET — ST. LOUIS 3, MO.

The National Retail Credit Association contributes this space monthly as a courtesy to its members of the Associated Credit Bureaus of America.

The

CREDIT WORLD

OFFICIAL PUBLICATION OF THE NATIONAL RETAIL CREDIT ASSOCIATION

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In This Issue

Four Feature Articles

Eight Other Highlights

Ten Departments

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25 YEARS AGO *in the* CREDIT WORLD

THE PROGRAM of the tenth annual convention of the National Retail Credit Association held in Cleveland, Ohio, June 12-15, 1922, was the highlight of the May, 1922, CREDIT WORLD. In addition, the Publicity Committee announced, in a three-page article, some of the things the delegates would not want to miss when they visited Cleveland.

* * *

The Cleveland Convention Committee consisted of: G. C. Driver, R. L. Palmer, Wallis Slater, E. J. Wolfe, W. H. Gray, L. M. Pegram, F. W. Walter, C. R. Usher, R. Adams, Mrs. Irma Howard, Miss Ivy S. Branyan, and Miss Eleanor Radcliffe. Their pictures appeared in the inside front cover. Several of these members were again active in making arrangements for our 32nd Annual Conference held in Cleveland last year.

* * *

The feature article was written by Sig Wolfort, Credit Manager, Stix, Baer and Fuller, St. Louis, Mo., entitled "Opening New Accounts Under Existing Business Conditions." Mr. Wolfort has retired but is still active in the affairs of the Company.

* * *

"Spreading the Gospel of Prompt Payment" was the title of some extracts from a letter of J. W. Meeker, Sales Promotion Manager, United Creditors' Association, Los Angeles, Calif. He said in part: "Put The CREDIT WORLD in the hands of half a million retailers in this country for a year, and the resultant strengthening of the credit situation would be felt in every fibre of American business."

* * *

C. L. Turrell, Credit Manager, Harris Department Stores, Pittsburgh, Pa., was the author of an article "Credit Research as a Business Builder." He said, "The credit man should be a business builder and one of the many ways to be a business builder is through credit research."

* * *

Other articles include: "Raising the Percentage of Collections Without Losing Customers or Sales," by J. H. Taylor, Credit Manager, Thompson, Belden & Co., Omaha, Nebr.; "Accurate Bills," by Archibald MacLeish, Office Manager, Carson Pirie Scott & Co., Chicago, Ill.; "Unity and Cooperation," by Harry Hickox, Pittsburgh, Pa.; and "A Comprehensive Credit Control Record," by E. W. Knapp, Manager, Credit Section, The Mabley & Carew Co., Cincinnati, Ohio.

* * *

Officers during the year, 1921-1922, were: President, E. W. Nelson, Rudge & Guenzel Co., Lincoln, Nebr.; First Vice-President, D. J. Price, W. & J. Sloane Co., New York, N. Y.; Second Vice-President, D. W. Ahl, J. L. Hudson Co., Detroit, Mich.; and Secretary-Treasurer, D. J. Woodlock, St. Louis, Mo.

* * *

Figures on the membership campaign, special warnings, and addresses wanted, completed this 32-page pre-convention issue of 25 years ago.

A.H.H.

Cooperating With the Credit Bureau

Clarence E. Wolfinger

THE CONSUMER credit express is rolling along the rails at an ever increasing rate of speed and if the remaining controls under Regulation W are lifted, the speed may materially increase. Many consumers who cannot meet the present down-payment requirements need automobiles, refrigerators and vacuum cleaners. The Federal Reserve Board's report as of January 31, 1947, shows the total consumer credit outstanding to be $9,790,000,000, against an all-time prewar high of $10,162,000,000 on September 30, 1941.

But with or without regulation, where is total instalment credit going? The hard-to-get merchandise, that makes life more enjoyable and embraces the major part of consumer credit, has only begun to trickle into the markets. When production increases, terms will probably be eased. One thing is certain, no matter what is the final total; credit is a dynamic force. There may be a lowering of prices, as some are predicting; there will be a lowering of credit terms, which we are experiencing already. Either one of these changes automatically increases the buying power of the consumer and enhances business volume. Under no circumstances, however, should we permit a lowering of the standards of sound credit principles.

It is up to the credit manager and the bureau manager to process all this increased business through intelligently directed credit services. They are the distributors of our production line products; they are important factors of the credit sales promotion machine. As separate parts of this vast movement they do not function at all, but when operating as an integral, well-lubricated, smooth-running piece of mechanism, it is surprising how far they can reach. Not even one fouled sparkplug should be allowed to slow down the machine of credit which is on its way to bigger and better business.

CLARENCE E. WOLFINGER is Credit Manager, Lit Brothers, Philadelphia, Pa. He started his business career in banking and later became Federal Reserve examiner with the Federal Reserve Bank of Philadelphia. Joined Lit Brothers in 1933. He is First Vice-President of the Credit Men's Association of Eastern Pennsylvania; President of District 12 of the N.R.C.A.; Past President of the Philadelphia Retail Credit Managers Association; and Chairman of the Operating Council of the Philadelphia Credit Bureau. He gave this address at the annual meeting of District 12, N.R.C.A., Hotel New Yorker, New York, N. Y., March 2-4, 1947.

There should be no separation between the functions of the credit bureau and those of the credit department, except the housing in different buildings. Why should not the credit bureau be considered just as much a part of the credit office as any other function carried on within the office? To whom does the credit executive turn when he is trying to approve a credit transaction? To whom does the bureau manager look for the incoming business which makes the bureau a going business concern? If they could realize that they are interdependent, then perhaps they might have a better understanding of their responsibilities to one another.

What improvements can be made? Beginning with references: A recent recheck of references returned to the credit bureau in Philadelphia, marked "no record," showed that while 71 per cent were still reported as "no record," 24 per cent were incorrectly marked; which proves that reference checkers should be checked.

To the large volume store, references are a tremendous problem; if the job is to be well done, it takes the full time of more than one employee each day to look up and answer the incoming references. When asking for a reference the request should be presented in such a way that it can be serviced promptly. Complete names and addresses are absolutely necessary in order to find references. Mrs. Jones has to be identified with her first name as well as that of her husband. The name of the street must be correct and the spelling exact. While it is possible that a small store may know many of its customers by name, as well as being familiar with the history of their paying habits; the larger store has a bigger problem.

References are often requested with no other information than the surname, for example: Mrs. Someone of Philadelphia—such a reference is a waste of time. Credit managers should look over their incoming references to see what is happening and make changes when necessary; and have the "no records" referred to them for inspection. They should also check the applications taken by their credit interviewers and instruct them how to speed up approvals by intelligent interviewing.

A credit application that cannot be processed within a reasonable time, and three or four days in many cases is not a reasonable time, should be examined to find out what has occurred to retard processing. Credit managers should also take an incessant interest in all incoming references and insist on having them answered the day on which they are received. Hash may be all right in restaurants, but the credit office is one place that should serve no leftovers.

When unfound references continue, the next step should be to work with the bureau manager to find the source of these reference "orphans." A continual round of unlocated references should justify the effort to locate the difficulty and the resolution to correct it.

Supervision toward an improvement in credit-application-taking is not something that can be done once and then forgotten; because new people are employed and economic conditions change. Studies should be made, from time to time, for possible improvements of the previous improvements; and it certainly would be a worthwhile effort for all concerned to keep persistently after more complete applications. There is no reason why a credit manager cannot undertake a program with his local credit bureau, from time to time, for the ultimate goal of intelligent reference-taking. After all, the interview controls the accuracy of references and the promptness of the credit approval; there will be a great deal of discussion in the future about speedier credit granting.

Then there is the question of personalities; there are some credit managers who are critical about the bureau management. You hear various comments about how credit bureaus should be run, and most of this from credit managers, but you seldom hear of a critic who sits down with the subject of his criticisms and discusses them with him. But why not? Is it not reasonable to assume that something might be gained by both sides?

There is also the bureau manager who may be critical and have some ideas about running the credit manager's business. Getting together for lunch and looking over each other's shop might be extremely helpful. Inviting the credit manager to come to the credit bureau sometime to discuss what can be done toward improving the service might also help. Some stores have made a practice of sending out inquiries to their entire customer list for suggestions toward amelioration of the service. Research firms are employed at considerable expense by some stores to get the feel of customer reaction. This is something that credit bureau managers can consider.

When a new employee is hired in the credit interviewing section, would a visit to the credit bureau be a helpful factor in the indoctrination program? The way to create better relations between the credit bureau and the credit department is to foster the desire for just that kind of job.

Credit Is Advancing

There is an urgent need to do something about inquiring into procedures and processes for the benefit of everyone concerned. Credit is advancing into the economic picture as a leading force in the betterment of living and in a wider distribution of the good things of life. We should not retard progress by enjoying the electronic age in worldly goods while being back in the log-cabin-days of procedure. There are a number of people who are of the opinion that there cannot be too fast a move or too radical a change in credit checking. That may be true, but ways and means must be found to speed up the process of credit reporting. Just plain disagreement and carping about those who are leading the way with courage and vision does not help one bit.

The store which will get the greatest amount of business in the days to come will probably be the store which can give its customers the fastest credit service. This does not mean we will be compelled to open the gates so wide that losses will flow disproportionately to the credit volume. Here is a real opportunity for the study of accelerated bureau service.

Another matter which will receive more attention, not only in retailing but in every other line of business, is: better customer relations. Why are the railroads going after credit customers? Does it mean that they are going to increase their business through this new method of selling transportation? Or does it mean the building of additional good will? Credit managers and bureau managers can team up in the building of good will. There are many ways in which this can be accomplished, but one of the neglected opportunities is the education of the public toward the proper use of credit. Publicity toward this end would prove invaluable to the credit granter and to the bureau manager; it would be profitable, too, when we look at year-end figures!

The credit bureau is often considered, even by some of the credit managers, as a place where the bad-paying records are kept. If we could emphasize the value of the good-paying habit and what it means to the credit user: we would be doing a much more constructive job than we are doing when we specialize on the poor risk and his record. Closer cooperation between the credit granter and the credit bureau could reduce to a minimum one of the greatest evils of credit—the overloading of customers.

New Credit Risks Are Coming

New credit risks are coming to us and will continue to knock at our doors. There is a great opportunity for sound credit practices. The Chinese have a helpful custom when celebrating the New Year—they pay all bills. In some cities bureaus have planned "Pay-Bills-Promptly" campaigns. This could be enlarged into a national "Pay-Bills-Promptly Week." The National officers could formulate an advertising campaign with mats, news stories in papers and magazines, radio spots and perhaps commentators' remarks. Such a campaign during some week in the fall should prove highly beneficial to consumer credit.

Tied in with the educational program a great deal of work can be done locally on the declined account. A letter should never be written to a credit applicant in which the possibility of making some kind of an arrangement for credit is definitely cut off. When a credit manager declines an account without giving the applicant an opportunity for explanation or probation, he automatically loses all hope of any possible future business and sends the applicant to another credit granter.

What is the answer to the declined account? Why not tell the applicant about the bureau and how it works? Perhaps it is a fallacy to think that a continuation of an educational program of this kind would improve the paying habits of the entire community, but a trial of such a program might prove of untold value. Should not credit bureaus tell what they stand for in the community and, to a certain extent, publicize their merchandise, just as much as any other nationally advertised product? Does not "Keep your credit record good" sound just as inviting as "Eat Crinkley Crackers"?

There is one more situation which seems to create customer irritation and should therefore be given more attention by both credit managers and bureau managers; that is speeding up the elapsed time which is required to complete reports, particularly those from out of town. Much of this time could be shortened if more consideration were given to the out-of-town inquiry. When a credit application requiring an out-of-town report comes to the credit office, that inquiry should be started on its

way immediately. One whole day could often be saved in the credit office and another day in the credit bureau on the outward trip alone, if preferred treatment were given only to the dispatching. There is no reason why a credit application with out-of-town investigation should remain in the credit office from early morning until the evening mail or trip to the credit bureau. Order the report and the checkings by phone or send the request by special messenger. Is it possible to check the bureau file first and then send the request direct to the bureau? Let us think that idea over and save 48 hours.

Air mail now is not much more costly than regular mail and think of the time saved! Recently I received a special request from a credit manager on the West Coast on Thursday morning, I sent the reply air mail and had his letter of thanks on my desk the following Monday morning. I answered this letter the first thing in the morning and had it in the post office before 10 A.M. Three times across the continent in five days! A half-hour saved in mailing time can often save a whole day in delivery. Banks use air mail in the clearing of bank checks and work out their mailing schedules to meet train and plane departures. So why wait until the end of the day to send out all of the mail, if part of it can be dispatched sooner and time saved thereby? There is room here for increased efficiency in reporting service.

Do all bureau managers process out-of-town investigations the day they are received? Do all bureau managers consider out-of-town inquiries in the same way as they do the local inquiries from their own members? If they do, how is it that it takes so long to get some of these reports? There are two sides to this question too; credit managers can do their share in speeding up these reports, take more interest in these particular transactions and make them easier to process.

If all credit interviewers would route credit applications from newcomers for special handling, instead of through the usual channels, and if the credit manager would look them over with a microscopic eye to find out how they could be put in the best form for early processing, this would be a big timesaver. Every store receives some references from out-of-town points. I have looked over some of these baffling communications at our store and decided that, if the person who took this credit application was as careful with all of the other information as he was with the references, the fellow who was called upon to pass on the credit had my sympathy.

One thing is certain: credit bureau managers and credit managers must soon wake up to the fact that the time has come when they must cooperate to speed up inter-bureau reporting. Our rates have been increased, the time for talk has passed—the time for action is here.

The late Wendell Willkie wrote a book entitled *One World* in which he tried to depict how small the world has grown in relation to our dependence on one another. Nowhere in the field of business is one individual more dependent on the other than in the credit business. The road ahead seems pretty clear. During the First World War there was a saying, "C'est la guerre." No matter what happened everything was blamed on the war. *Suppose that all of us, credit managers and bureau managers, stop blaming everything on the war and decide instead on what can be done now for the betterment of credit knowledge and credit practice.* ★★★

Credit Careers

ROBERT O. BONNER

The retirement of Robert O. Bonner as active head of the credit department of L. S. Ayres and Co., Indianapolis, Ind., has been announced by store officials. Mr. Bonner has served as credit manager with the firm 44 years, having joined the L. S. Ayres Co., in March, 1903, from the Indiana National Bank. A new position of credit manager emeritus has been created for Mr. Bonner in recognition of his outstanding service. Store officials said this will enable him to continue to act as counsellor and to assist in operations of the credit department on a more limited schedule of hours. He will be succeeded by Herbert A. Baker, assistant credit manager for the past several years.

During his long term of service, Mr. Bonner has been active in various national and local organizations. He was president of the Indianapolis Association of Credit Men in 1917 and again in 1942, and is now a director. A director of the Better Business Bureau of Indianapolis for twenty-eight years, he was one of its early presidents. He was also the first president of the Retail Credit Granters of Indianapolis.

The National Retail Credit Association wishes Mr. Bonner much health and happiness in his well deserved retirement.

CHARLES R. ROSS

Charles R. Ross, who has been Credit Manager of the Philadelphia Coke Company, Philadelphia, Pa., for the past nineteen years, retired April 1. He was formerly President of the Philadelphia Credit Bureau and in 1938 a director of District 12 of the National Retail Credit Association. He was active in local credit association affairs and devoted considerable time to membership work in behalf of the association and the N.R.C.A. His son, J. Gordon Ross, of the Rochester Gas and Electric Corporation, Rochester, New York, was President of the National Retail Credit Association in 1937-1938. He will be delighted to hear from his many friends who may reach him at his home, 145 Hopkins Ave., Haddonfield, New Jersey. He has been succeeded by his assistant, William A. Reinhardt as Credit Manager of the Philadelphia Coke Company.

The National Retail Credit Association and his many friends of the credit fraternity wish Mr. Ross continued health and happiness in his retirement for many years to come.

The Importance Of the Interview

(Part Two—Personal Loans)

Alexander Gunther

FOR A LONG TIME the banking profession has been in disrepute and we feel like the prodigal son who has returned and been welcomed home by the old folks. It is natural that those of us who are directing the activities of Personal Loan and Time Sales Departments in banks feel our experiences would be of interest and value to retailers. Our daily problems are akin and sometimes we burn the midnight oil and toss about the same as they do in trying to keep up with the rapid changes in business conditions.

Observing the operations and procedures in retail credit departments it is quite evident that we closely parallel the credit manager's approach to the problem of collections; however, where they are using as a basis for credit, tangible objects—soft or durable goods, we are dealing in the cash of the realm, the dollar bill, and, in addition, that intangible commodity—service.

More than 90 per cent of all personal loans are on an unsecured basis, that is, single signature, or if married, with the wife's signature also. We are gambling (to use the term broadly) on the honesty and ability of the borrower to keep his job during the life of the loan. We work on the law of averages, to the same degree as the credit department. We have no markup cushion to fall back on and our profit margin is extremely thin. Necessity demands we develop information of a more detailed nature and requires certain basic sources of information as essential to our daily needs. Even though our slogan is, "A loan well made is half collected," we place great confidence in the information available through our well-managed credit bureaus and look to them as signposts to guide us through the pitfalls of pyramiding credits.

When analyzing (some of our friends accuse us of psychoanalyzing) a prospective applicant for bank credit we look over the card reports received from the Philadelphia Credit Bureau; through the mutual interchange of file experience we have found relief from many of the headaches and heartaches brought on by postwar competition and its companion in misery confusion. There is confusion in respect to terms, rates and business ethics, especially since the easing of Regulation W and the rapid rise in the filling of commodity pipelines.

Before we in the banking field reach the point of interview, we sometimes have the problem of getting the applicant to, mentally and physically, hurdle the barriers of imposing banking structures—with marble and bronze interiors—eagle-eyed officers—inconvenient banking hours and many state and governmental regulations restricting the granting of credits. These imposed handicaps make it essential that the reception room be comfortable, attractive and private, the receptionist friendly, one who likes public contact and who can instill in people the feeling that their personal problems are our problems, to be solved without prying into their innermost affairs; yet developing sufficient information to permit us to give them the proper consideration. We keep the "welcome mat" displayed right side up and stress the human equation by insisting our interviewers place themselves in the other fellow's shoes, irrespective of the purpose or physical appearance of the applicant.

When we have gone through the preliminaries of the interview and have been satisfied with the answers to our questions, we determine whether the amount involved and the purpose indicated meet with the requirement of the bank and existing government restrictions. Next, we decide whether the request has a justifiable basis in relation to the physical, mental and earning capacity of the applicant (15% total net income). We watch for the hazardous type of occupation, for the job shifter, the spendthrift, for home environment and nationality. While we have always been open minded on race and creed, experience has taught us to keep close track on certain nationalities: those with the unenviable reputation of taking their debts lightly. We keep a tight checkrein on credit appetites, remembering the admonition of our Credit Bureau Manager, Charlie Sheldon, that "Dead beats are made—not born."

We use a simplified alphabetical system to classify types of credit responsibility, namely: (a) good response and appearance, (b) average type—check further, (c) unfavorable reaction—check closely. Development of the purpose is paramount. Even though the applicant has the earning capacity and the willingness to pay, we are doing him and ourselves a disservice if we extend credit for a purpose other than sound. Loans to friends who "promise to repay when they make a killing in some sure-fire investment," or "I have a chance for a quick turnover on a real estate deal that will net me a cool profit"; G.I.'s with visions of easy money, of being their own boss and with no idea of how to merchandise. The young man trying to make an impression on his latest girl friend and expecting us to finance a snappy 1946

ALEXANDER GUNTHER gave this address at the annual conference of Districts Two and Twelve, National Retail Credit Association, Hotel New Yorker, New York, N. Y., March 2-4, 1947. He is the Assistant Vice-President, The First National Bank of Philadelphia, Philadelphia, Pennsylvania.

Packard Sports Roadster—no money down and little prospects of a steady job, but he is sure Dad will help him out if he gets into difficulties. Thank goodness the average borrower is an honest guy and does not incur debts unless he is sure he is going to have the wherewithal to pay. As Mr. Charles E. Wilson, President, General Motors, recently said:

> Purchases of goods and services are determined by three things: one, desire or necessity; two, confidence; three, an ability to buy. Ability to buy depends on savings, credit and current earning power. Whether this ability to buy will be exercised is determined by desire, or necessity and confidence. In mechanical terms, credit and savings are the flywheel of competitive enterprise. The flywheel of a motor car engine smooths out the power impulses received from the pistons, helps to maintain uniform power and keeps the engine from stalling, especially at low speed. Even though they have the financial ability, people will buy no more than the barest necessities unless they have the desire and confidence to buy. With confidence we act in an entirely different way than we do in an atmosphere of uncertainty. Putting it in the negative, a lack of confidence may completely upset what might otherwise be a satisfactory level of business. Confidence in the future is essential on the part of the person who asks for credit as well as on the part of those who grant the credit.

A skillful interviewer tries to give the applicant the benefit of the doubt and makes every effort to "develop the story behind the news," which may bring out facts weighing heavily for, or against, the applicant. At times, we are forced to assume the "tongue in cheek attitude" toward some of the tall stories and explanations given in the "so help me if it is not true" tone of voice, as the purpose of the loan. Because of certain exemptions permitted under Regulation W, pertaining to longer terms for sickness or medical expenses, it became the popular excuse in the majority of given purposes for loans. One of the large Western banks made a survey covering a considerable period of time and a wide territory and came to the conclusion that all of the physicians practicing within that area—if they actually received all the money presumably borrowed to pay doctor bills—must be in the millionaire class.

Illness Affects the Family Income

In many cases, however, illness is the true purpose; we try to determine who is ill, if the income producer is ill how will it affect the family income and for how long? The illness may be of a temporary, recurring or incurable nature, and in that case it may result in continuous borrowing.

We thoroughly agree with Clarence Wolfinger's article in a recent issue of The Credit World in which he said: "The granting of credit may be stepped up without sacrifice to the safety of the credit investigation. Any process which tends to accelerate credit granting should not do away with any reasonable safeguard. Credit investigation should be predicated primarily on the amount of the risk involved. The amount of credit requested should determine the amount of investigation which is thought necessary to pass on the application—whether it is a new account or a new high credit on an old account. Nothing should be minimized in the way of taking information from the applicant as a guide for credit granting."

As to bank procedure we keep our forms and arithmetic simple; our discussions confidential; our credit consideration prompt and customer payment dates convenient to paydays as we are looking for ways to make loans. Even though we might have a title retention document, such as a bailment lease, conditional sales contract, or a chattel mortgage on the commodity financed, we still look to the Three C's of Credit—Character (proved willingness to pay); Capacity (proved ability to pay); and Capital (equities in life insurance, real estate, automobile, bank balance, etc.). If the moral risk is not good, we will not make a loan under any circumstances. We do not want to experience the embarrassment to which we were subjected recently when we patted ourselves on the back about our good collection picture and our Collection Manager quickly brought us down to earth with the remark, "Do you remember that loan to Joe Smith on his automobile? Well, Joe has turned into a skip and his auto into a 'dead pigeon'."

Presuming the application has been filled in, signed and returned with the note, we check the following: The *purpose*, is it legible? The *name* and *address*, are they printed? This is most essential in order to avoid discrepancies and to assist the Filing Department and the Credit Bureau. Be sure the name is spelled out in full, especially the middle name; if applicant is recently married secure the wife's maiden name and address; if they move frequently a previous address is necessary. The age is also important; very often the age of the wife is left blank and upon questioning it develops she is under legal age. Obtain home telephone number or one in the immediate vicinity. For employment we check continuity especially in view of the threat of a recession. Salaries should be compared with previous years, the income may be less due to elimination of overtime. We check badge and department number, also name of immediate superior as well as department telephone extension. We check all personal references. We question the ownership of the car to see whether it is encumbered or unencumbered. Loans on life insurance are very important and the type of bank account, regular, special or savings. We check marital status to determine whether applicant is separated, divorced or supporting wife and children, how much income is required and for how long. We find out how many dependents there are, if they are self-supporting, how old they are and if they donate to the family. Dependents of legal age should be required to sign the note. If applicant has property we find out who owns it and what is the status of the mortgage, if it is mortgaged. We check on rent, whether they rent a furnished or unfurnished apartment or if they board. Watch for suitcase borrowers! What about other debts, any past due accounts or unreported accounts except through Credit Bureau checkings? Indebtedness is on the upgrade. Window signs are again appearing: "With a little down we will feather your nest." Finally we ask for identifications, recent pay stubs, yard badge or pass, rent or mortgage book, driver's license and most important of all your own past file record.

Federal Reserve figures show personal loans (both installment and single payment) passing $4 billion as of October 1, 1946, and they were still on the rise. Thousands of average people make up the bulk of the millions of current borrowers, but as Al Smith used to say, "Let us take a look at the record."

A typical loan firm in Los Angeles listed its borrowers, according to the numbers seeking loans, in this order: (1) Skilled and semiskilled workers. (2) Office and

other nonmanual workers. (3) Managers, superintendents and foremen. (4) Proprietors. (5) Salespeople. (6) Schoolteachers. (7) Unskilled workers. (8) Professional people, and (9) People with independent income . . . And company executives are not too far behind. One leading bank says executives making $5,000 to $50,000 a year stand in queues in New York for personal loans. This bank's high-salaried borrowers represent a cross section of the *Blue Book* of New York City's corporation officials. Pummeled by taxes and expenses, many are using bank credit for the first time in their lives to cover living costs. They borrow up to $5,000, pay it back over a period of 24 months at 6 per cent interest. The interest on such a loan, of course, is deductible from taxable income.

Quoting from the *Wall Street Journal:* "Mr. C finds $200,000 income shrinks to $36,611 take-home pay . . . Big executive drops insurance program; cuts clubs; buys auto from savings." The article goes on to say: "A taxi pulled up in front of one of Wall Street's skyscrapers the other day and from it emerged Mr. C, $200,000 a year chief executive of one of the country's top industrial concerns. He paid the cabby his fare, then pulled a tiny black notebook out of his pocket and wrote this entry: 'Wednesday—taxi, station to office, $1.50; tip, 15 cents.' A glance at other pages would show: 'Monday—telephone call, Chicago to New York, $2.00; Friday, dinner with Mr. Jones, $7.35.' These items and others like them are part of Mr. C's business expense account. Once, he paid these sums out of his pocket and quickly forgot them. Now, with ballooning living costs and high income taxes, he no longer can afford to pay these expenses from his own income. It may sound strange, relates Mr. C sitting at his desk in his big office high above New York's busy harbor, 'but that expense account is helping me live on my salary!'"

We should learn to deal with people the way they are, not the way we wish they were, then we will find the customer a very human being, he will come in friendship, seeking friendship as well as your goods and services.

The Book Shelf

Advanced Business Correspondence by Hotchkiss, Kilduff and Janis (Harper & Brothers, 49 East 33rd Street, New York 16, N. Y., 571 pages, $4.00). The primary purpose of this book is to explain and illustrate the fundamental principles that govern all kinds of business letters, and to give practical methods of handling the more typical situations. In a word, it tries to show attainable ideals and sound strategy in business correspondence, and should be of considerable value to the businessman.

The Credit Department—A Training Ground for the Bank Loan Officer (Robert Morris Associates, 1417 Sansom Street, Philadelphia 2, Pa., $1.00). This book serves as a text for the education of new employees or returned servicemen who have been out of touch with activities in the credit department. It is the credit manual issued by the Research Committee of the Associates under H. T. Riedman, Vice-President of the Industrial National Bank in Chicago, as Chairman and Professor C. W. Williams of the University of Louisville as Research Director.

Credit Union Development in Wisconsin (Columbia University Press, Morningside Heights, New York 27, N. Y., 174 pages, $2.50). This study, by Eli Shapiro, was motivated by a desire to see to what extent credit union growth could be encouraged. A good deal of attention has been devoted to operational procedures and how they have been affected by the Statutes and by the State Banking Commission's rulings. Lessons for administrators have been pointed out where it has seemed pertinent.

Basic Criteria Used in Wage Negotiations (The Chicago Association of Commerce and Industry, Chicago, Ill., 56 pages, 50 cents). This is a constructive and stimulating presentation of the issues in an exceptionally complex and urgent problem. If we are to have the kind of stable economy which makes for steady employment and large national income, it is important to consider wage questions from the point of view of fundamental economics. Wages are the most important single problem facing American business in 1947. Sumner H. Slichter is the author.

Professional Ethics of Public Accounting (American Institute of Accountants, 13 East 41st Street, New York, N. Y., 136 pages, $2.00). The main purpose of this book is to help young accountants and students to understand the existing rules of professional conduct applicable to the accounting profession. It explains why each rule seemed desirable, how it fits into a logical pattern of sensible conduct for certified public accountants, not only in the interest of society as a whole, but in their own self-interest.

RETAIL CREDIT *Of Tomorrow*

Hugh L. Reagan

RETAIL BUSINESS reached its highest peak in volume in 1946. The question is—can this volume be sustained? Some of our economists predict that cash volume decreases will be offset with increased credit sales. In some sections of the country there has already been a noticeable decrease in volume. The buyers are resisting high prices and are shopping around more and more, which is an indication that money is not as plentiful as it was a few months ago. We can expect increases in durable goods as there is a tremendous backlog of orders caused by the curtailment of production during the war. The watchword is be prepared for a substantial installment business.

There is no question but that we are entering a buyer's market, or should we say the customer's market. The national credit picture in the last few months reveals that credit sales are steadily increasing, and collections on monthly accounts are decreasing. This is to be expected, and there is no reason to be alarmed because it is an indication that we are returning to normal credit operations. Prior to the war, credit sales in our section of the country represented more than 60 per cent of the total volume. If our sales climb back to this same ratio, we should not be concerned if we follow a proved and sound credit policy.

Decreasing Collection Percentages

Collection percentages also are expected to show further decrease, but retailers should be able to retain some of the educational benefits as a result of Regulation W. There is no reason for collection percentages to decline to prewar levels. The consumer is now educated to paying his bills promptly, so we, in the credit profession, should strive to retain these advantages and we should not permit the credit buyers to drift back into slow paying habits. We can expect further modification of Regulation W, probably soon, eliminating all credit controls. Individual consumer credit must then be controlled by individual stores, as we are prohibited by law from formulating a community credit policy.

The big question now is—are we prepared to take care of the increased demand for consumer credit efficiently? We must plan for tomorrow and be ready to render a real service to the buying public and the retailers of this country. The following should be considered:

1. Survey physical lay-outs with the idea of modernizing.
2. Analyze your personnel and determine that they are properly trained.
3. Study billing methods and operations.
4. Consider new equipment that will reduce cost and add to the efficiency of the credit department.
5. Revise collection procedure.
6. Promote new business and good will.
7. Maintain reasonable installment terms.
8. Support your credit bureau.
9. Provide shopping conveniences to make it easy for the customer to buy.

The credit department of tomorrow should be conveniently located to the public. There is no reason why the credit office should not be just as attractive as any other department in the store. The reception room should be inviting and spacious, arranged for the convenience and comfort of the customers. Retailers today are giving more consideration to the physical lay-out of the credit offices. It is an indication that the store is progressive and appreciates the value of the credit department. Attractive and spacious credit offices will attract the buying public and help create confidence.

Most important of all, however, is the personnel that comes in contact with the public. We must train our personnel for more efficient service and better customer relations. Receptionists and interviewers should have pleasing personalities and should be thoroughly trained in meeting the public. Every customer that visits the credit office is a guest, she is doing the store a favor and we should make sure that she is shown proper consideration and is treated courteously and in a friendly manner. We cannot expect to build good will unless our employees are trained in public relations.

The cashiers in the accounts receivable department are in a position to do an excellent public relations job. The customer who pays the store money likes to receive a little attention. It is so easy for a cashier to greet the customers with a pleasant "good morning," and a genuine "thank you," when she pays her bill. These are little

HUGH L. REAGAN gave this timely address at the annual meeting of Districts Three and Four of the National Retail Credit Association, New Orleans, La., March 23-26, 1947. He is a Past President of the Nashville Credit Bureau and the Nashville Retail Credit Association. At the present time he is Second Vice-President of the National Retail Credit Association and since 1926 has been Credit Manager Cain-Sloan Company, Nashville, Tenn.

things but they go a long way in helping to build a friendly feeling for the credit department and for the store.

The interviewers who accept applications for new accounts should be capable of securing the desired information without offending the customer. Streamline your interviewing, eliminate red tape, make it easy for the customer to open an account. Do not make the mistake of trying to secure too much information; customers resent being questioned. All applications for new charge accounts should be taken in the credit office by a trained employee. Some stores permit salespeople to accept applications for new accounts; this is a bad practice which results in collection difficulties and, in many instances, increases bad debt losses. The credit and collection department cannot function efficiently if the billing department's records are not kept up to date. During the war it was not as essential as it is today to get your bills out on time. Regulation W helped us to collect our money even though statements were mailed late.

Billing Departments on Current Basis

Our billing departments must be put on a current basis. Many stores have adopted cycle billing, which has eliminated the bottlenecks in the billing departments. The public likes to receive the original sales checks with their statements. All stores that have installed cycle billing are enthusiastic, they have found it a great improvement over the old methods of billing.

Our company installed cycle billing in September, 1946; prior to that time we were using eight Underwood & Elliot-Fisher posting machines, and found it impossible to keep our accounts posted up to date. Sometimes we were as late as ten days to two weeks in mailing out statements. Now we are using two Sunstrand billing machines and our accounts are kept up to date. This new system also gives us a much better credit control, has enabled us to reduce overbuying and has made it possible for the collection department to function more efficiently. The employees in all departments in the office like the system because it has made their work easier and has effected a more even distribution of work throughout the month; eliminating rush periods and giving us a much smoother operation.

The collection department's honeymoon is over. It is now essential that we have an efficient collection department. Accounts will have to be watched more carefully and we must have a close follow-up system. The collection effort should be prompt but courteous. The longer we wait to start collection effort, the more difficult it will be to collect the account. In collecting accounts we should always endeavor to keep the good will of the customer. Study your collection procedure, revise your collection notices at least twice a year, use discretion in wording the notices because the success of your collection effort depends upon the approach. Customers are now becoming more critical, you can be firm, yet tactful. Use salesmanship in your collection procedure. There is a natural tendency on the part of collection employees to become hard-boiled. We must be on our guard constantly and strive to instill in our employees a spirit of understanding and friendliness in their collection methods. Many of the stores are using 3x5 cards with a friendly printed notice reminding the customer that the account is due; these notices are impersonal and less expensive than form letters and, I believe, more effective. *A successful collection effort will increase credit sales, as it is the disposition of the customer to return to the store where her account is in a current condition.*

The most important function of the credit office is promoting new business and good will. In the future, more than ever before, the credit department will be depended upon to assist in the promotion of sales. The credit executive of tomorrow who is not sales-minded certainly cannot be considered progressive. We know that the output of manufacturing goods is increasing daily, and it is inevitable that supply will soon catch up with demand; then competition will be keen. The store that does an outstanding job of advertising and promoting will get its share of the business. Credit managers must realize the advertising possibilities of their departments and take advantage of opportunities to build good will and increase sales for the store.

What is good will? The United States Supreme Court's definition of good will is the disposition of the pleased customer to return to the place where she has been well treated. We, as credit executives, must exert a special effort to instill in the customer a desire to return to our store. In promoting credit sales, however, we must not let our eagerness for additional business sway us beyond the point of safety; besides being sales-minded we must also be profit conscious. The credit manager who is doing a good job in promoting credit sales must have the full cooperation of the management, he should be given full and complete authority in handling all functions of the credit office.

The most fertile field for new business is our inactive accounts. *Every firm has a potential asset in an inactive account.* If a customer had confidence enough in a store to establish an account, then the store should find out why it has been discontinued. We should give more attention to our present customers, every account we have on our books is an asset, and we should encourage the continuous use of that account. Use an attractive letterhead for securing new charge business which will emphasize the theme of the letter. It is advisable not to use the company's standard forms, eye appeal is very important, the advertising department changes ads daily to attract attention; if this is effective in newspaper advertising, why should not the same principle apply to mail advertising?

Securing New Charge Customers

Securing new charge customers is the duty of the credit department. Internal store-wide campaigns among employees for new charge accounts are very effective. These campaigns create a better feeling between the sales and credit employees, as it gives the selling employees an opportunity to earn additional money and makes them realize that the credit department is sales-minded. All retail stores, large and small, will use newspaper and radio advertising more and more for soliciting new charge business. An occasional ad in your local newspaper will prove very profitable for inviting new charge accounts and announcing new credit services to the public.

There are many other sources of securing new charge business, such as cash sales, C.O.D. records, etc. If any promotional campaign for new business is carefully

planned in advance, if the timing is right and the proper type of promotional effort is used, the campaign will be successful. The trouble with most of us in the credit profession is that we allow ourselves to be tied down with detail. During the war we all had to assume additional duties because of the shortage and turnover in personnel. Now that we are gradually returning to a normal operation we should endeavor to build an organization where certain responsibilities may be passed on to assistants and co-workers. The credit manager should be free to plan and supervise, he should be in a position to give more of his attention to the important functions of the credit department. We must recognize that we have a definite responsibility to the buying public and to our firm. It is our responsibility to guide our customers in the right direction and not permit them to overbuy. In arranging terms we should take into consideration the ability of the buyer to meet the terms on time. Most of our past-due accounts are caused by carelessness on the part of the credit department and we should not fume and fuss when Mrs. Bill Jones has not paid her account, or when she has bought too much. It is usually our fault when we allow the account to get in this condition.

With the high cost of living today the average installment buyer cannot continue to meet present installment terms, so we can expect more liberal terms on durable merchandise. Installment contracts should be simplified. I heard a customer make the remark that it would take a Philadelphia lawyer to understand the contracts that are now being used. Contracts should be simple, so that buyers can understand what they sign. We should endeavor to maintain reasonable installment terms, and never extend the terms beyond the life of the merchandise sold. Competition should not influence us in extending ridiculous installment terms.

Use Credit Bureaus Freely

Credit bureaus should be used freely. *One of the best investments a firm can make is in credit reports.* All accounts should be cleared through the credit bureau so that the credit office will have a complete history of all accounts on the books.

With the demand for consumer credit increasing you can expect new services to be offered to attract charge customers to the store. Merchants are endeavoring to make it easy for charge customers to buy. We should make a study of our methods of authorizing and passing on credit with the idea of speeding up service. Negative authorizing has already been adopted by some stores to speed up shopping service. Stores all over the country have adopted the Charga-Plate and other identification coins and credit cards for the convenience of the customers. In some cities they have group installations where the customer has only one plate and can purchase in every store in the city where she has a charge account. Other cities will adopt this service to speed up shopping.

We are living in a changing age; it is, therefore, essential that we get our house in order and be prepared to keep pace with conditions. New and better ways will be found to save time and render better service to the buying public. *We must have an open mind and be willing to adapt ourselves to new ideas that will make it possible for us to do a much better job.* ★★★

"We have read the article by H. C. Nicholls in the February CREDIT WORLD 'Public Relations Is Everyone's Job,' and we found it such an excellent discussion of the subject that we would like to pass it along to the personnel of all member offices of the Pennsylvania Association of Small Loan Companies."—Curtis A. Williams, Director of Social Relations, Pennsylvania Association of Small Loan Companies, Philadelphia, Pa.

"We found the article by Clarence Wolfinger in the March CREDIT WORLD extremely interesting as it describes a really well rounded out solicitation program. We would like to secure 1,500 reprints." —W. A. Lindelow, Sales Director, A. J. Wood and Co., Philadelphia, Pa.

"I am now receiving The CREDIT WORLD and read each issue carefully. Your letter advising me of my membership in the Quarter Century Club was forwarded to me here in Santa Cruz where we are having a winter vacation. My 25 years in bureau work covers quite a span. I deeply appreciate your kindness and thoughtfulness in writing me. It is such things that make life worth living."—John N. Keeler, 3229 S. E. Crystal Springs Blvd., Portland 2, Ore.

"I have read the article, 'Public Relations Is Everyone's Job,' by H. C. Nicholls, in the February issue of The CREDIT WORLD with great interest, and would like to have a copy for every employee in our store (500 employees)."—G. L. Allen, Jr., J. P. Allen & Co., Atlanta, Ga.

"I received your letter advising me of my enrollment as a member of the Quarter Century Club. I wish to thank you for the honor that has been bestowed upon me and I want you to know that I certainly appreciate it. I read the report of your trip in the January, February and March issues of The CREDIT WORLD and enjoyed it very much."—W. A. Rayson, 1324 South Norfolk, Tulsa 5, Okla.

"I will greatly appreciate receiving The CREDIT WORLD and assure you I will read it every month. While I have been retired from the Standard Oil Co. for the past six years, I have never lost interest in the credit field or credit men."—James M. Duncan, 1333 North Louise Street, Glendale 7, Calif.

"I was so impressed with the article, 'Public Relations Is Everyone's Job,' by H. C. Nicholls which appeared in the February CREDIT WORLD that I should like to obtain twenty reprints for distribution among employees in our Company who are involved in customer contact work."—K. E. Boyle, Supervisor, Customers Accounting Department, The Dayton Power and Light Co., Dayton, Ohio.

"Thank you for your letter of March 19, enclosing my Quarter-Century button. I hope it will be possible for me to attend the 33rd Annual Conference in June. I have always enjoyed these meetings."—G. W. Sosebee, Credit Manager, Perkins-Timberlake Co., Wichita Falls, Texas.

"Just received my Quarter-Century button for which I am most grateful. This is an opportunity to acquaint you of the pleasure I experience in reading your Journeyings as they bring back so many pleasant memories of conventions and of old acquaintances. I hope you will always include Nashville in your southern itinerary, as you have many loyal and true friends here."—Ernest C. Harlan, Route 1, Antioch, Tenn.

"The article by H. C. Nicholls, 'Public Relations Is Everyone's Job,' is very timely and thought provoking. We would appreciate forty reprints of this worth-while article for distribution to our salesmen, as we consider it important enough to send to each of our supervisors."—Ernest Heldman, Personnel Director, American Sporting Goods Co., St. Louis, Mo.

CREDIT FLASHES

Roderick E. Langton

Roderick E. Langton, Credit Manager, Salt Lake City *Tribune-Telegram*, Salt Lake City, Utah, died in a Salt Lake hospital, March 31, 1947, after a lingering illness. He was born July 16, 1893 in Salt Lake City where he had always resided. He began his business career in 1910 when he was employed by the old *Herald-Tribune*. Mr. Langton had been with the Salt Lake *Tribune* credit department since 1925, becoming Credit Manager in 1928. He was a long-time active member of the Associated Retail Credit Men of Salt Lake City, serving as a director of that organization for 16 years. In 1944 he was a director of the National Retail Credit Association and President of the Ninth District. At the time of his death, he was Treasurer of the Lions Club of Salt Lake City. Survivors, in addition to his widow, include two sons, his father and mother, and eight brothers and sisters, to whom we extend our deepest sympathy.

Credit Women Organize New Council

The Credit Women's Breakfast Clubs of Troy, Schenectady and Elmira, N. Y., met in New York, N. Y., on March 2, to form a new district to be known as The Empire Council, District 2, Credit Women's Breakfast Clubs of North America. Officers and directors elected were: President, Mrs. Elsie Taylor, The Williams Tire & Rubber Co., Troy, N. Y.; First Vice-President, Bessie Armstrong, The Wallace Co., Schenectady, N. Y.; Second Vice-President, Mrs. Mildred Taylor, Iszard Co., Elmira, N. Y.; Treasurer, Mrs. Ethel Terry, Industrial Bank, Schenectady, N. Y.; and Secretary, Mrs. Caroline Harmon, Gumble Furniture Co., Troy, N. Y. Directors: Mrs. Elizabeth Olthof, Rosenbaum's, Elmira, N. Y.; Mrs. Thelma Greelis, National City Bank, Troy, N. Y.; and Catherine Davey, Ellis Hospital, Schenectady, N. Y. Agnes J. Moyer, President of the C.W.B.C. of North America presided. Shown in the picture below and seated left to right are: Mrs. Caroline Harmon, Mrs. Elsie Taylor, and Agnes Moyer. Standing, left to right are: Mrs. Thelma Greelis, Mrs. Elizabeth Olthof and Bessie Armstrong.

Coming District Meetings

District Eight (Texas) will hold its annual meeting at the Gunter Hotel in San Antonio, Texas, May 11, 12, 13 and 14, 1947.

District Ten (Idaho, Montana, Oregon, Washington, Alaska, Alberta, Canada, British Columbia, Canada, and Saskatchewan, Canada) will hold its annual meeting in Vancouver, B. C., May 25, 26, and 27, 1947.

Congratulations, Springfield, Massachusetts

In a letter from George B. Allan, efficient manager of The Credit Bureau, Springfield, Mass., reporting four new members, he called attention to the fact that the Retail Credit Association of Springfield has now "crashed the 300 mark," with a total of 303 National members. This is the largest National unit in New England, and the thirteenth largest in the National. The other twelve leading Associations are:

1. New York, N. Y.	808
2. Pittsburgh, Pa.	623
3. Baltimore, Md.	556
4. Spokane, Wash.	490
5. San Francisco, Calif.	457
6. St. Louis, Mo.	456
7. Kansas City, Mo.	430
8. Denver, Colo.	421
9. Cleveland, Ohio	371
10. Washington, D. C.	371
11. Portland, Ore.	326
12. Los Angeles, Calif.	315

Falls City, Nebraska, Credit School

Under the leadership of Gus Scholz, First National Bank, Falls City, an adult vocational educational class is being conducted. Consisting of a series of twelve meetings, practically every phase of credit will be discussed. At the close of the fifth meeting, the slide film "Credit, the Life of Business," was shown.

William L. Cornwell in New Position

William L. Cornwell, formerly associated with Auto Lec Stores, Inc., Mobile, Ala., has been appointed Credit Manager of Harrys three stores in Mobile.

Credit Women's Breakfast Clubs of North America

NINTH ANNUAL CONFERENCE

Hotel Jefferson, St. Louis, Missouri, June 15-19, 1947

Agnes J. Moyer
President
Reading, Pa.

Ruth Rosencrants
Recording Secretary
Kankakee, Ill.

Program

Sunday, June 15 . . .

12:30 P.M.—LUNCHEON, International Officers and District Presidents, Daniel Boone Room, *Hotel Statler.*

2:00 P.M.—PRE-CONFERENCE BOARD MEETING, Daniel Boone Room, *Hotel Statler.*

7:00 P.M.—ANNUAL BUSINESS MEETING, Crystal Room, *Hotel Jefferson.*

Monday, June 16 . . .

12:30 P.M.—LUNCHEON, International Officers and District Presidents, Parlor A, *Hotel Lennox.*

Tuesday, June 17 . . .

7:00 A.M.—ANNUAL BREAKFAST, Club Continental, *Hotel Jefferson.*

12:30 P.M.—DROP-IN LUNCHEON, DUTCH TREAT, All Breakfast Clubbers, Roof Garden, *Hotel DeSoto.*

Wednesday, June 18 . . .

10:00 A.M.—Address, *"Ten Years of Progress,"* Miss Agnes Moyer, Berks Products Corp., Reading, Pa., President, Credit Women's Breakfast Clubs of North America, Gold Room, *Hotel Jefferson.*

12:30 P.M.—ANNIVERSARY LUNCHEON, All Breakfast Clubbers, Ballroom, *Hotel DeSoto.*

7:00 P.M.—ANNUAL BUSINESS MEETING, Crystal Room, *Hotel Jefferson.*

Thursday, June 19 . . .

12:30 P.M.—LUNCHEON, International Officers, Room 106, *Hotel Statler.*

2:00 P.M.—POST-CONFERENCE BOARD MEETING, Room 106, *Hotel Statler.*

7:30 P.M.—GRAND BANQUET AND DANCE, Gold Room, *Hotel Jefferson.*

Eleanor Wilson
First Vice-President
Duluth, Minn.

Emma G. Gehris
Corr. Secretary
Reading, Pa.

Mrs. Helen M. Lybold
Second Vice-President
Butte, Mont.

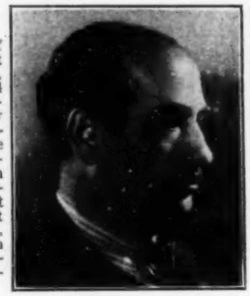
Essie January
Financial Secretary
St. Louis, Mo.

Mrs. Grace L. Jones
Treasurer
Salt Lake City, Utah

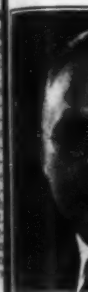
Sally Sansom
Historian
Fort Worth, Texas

HARRY L. BUNKER
Credit Manager, H. C. Capwell Co., Oakland, Calif. . . . President, National Retail Credit Association . . . One of the organizers of the Oakland Chapter of The Retail Credit Granters Assn. . . . President District 11, N. R. C. A., in 1943 . . . A member of the Board of Directors of the Credit Bureau of Alameda County.

PAUL M. MILLIANS
Vice-President of Commercial Credit Corp., New York, N. Y. since 1944 . . . Disbursing Officer, U. S. Army 1917-19 . . . Former Director of the Budget, U. S. Shipping Board . . . In 1938 joined executive department American Credit Indemnity Co. . . . Active for years in business and professional organizations.



SIDNEY R. BAER
Vice President and Treasurer, Stix, Baer & Fuller, St. Louis, Mo. . . . President Premium Realty and Investment Co. . . . Director, St. Louis Chamber of Commerce, Central Institute for the Deaf, and Federation of Jewish Charities of St. Louis . . . Graduated from Yale in 1912 . . . Active in many civic affairs in St. Louis.



PROGRAM

33RD ANNUAL B
NATIONAL RETAIL CREDIT ASSOCIATION,

General Conference Chairman, E. E.

Tuesday Morning . . . June 17

9:15—Assembly—Ballroom, Hotel Jefferson
Community Singing

9:30—Call to Order—Harry L. Bunker, H. C. Capwell Co., Oakland, Calif., President, National Retail Credit Association.
Invocation—
In Memoriam
Welcome to St. Louis—Wm. Semsrott, Secretary, Associated Retailers of St. Louis, St. Louis, Mo.
Response—W. F. Bradley, S & G Gump, San Francisco, Calif.
Reports of Officers

10:15—Appointment of Committees:
Constitution and Bylaws
Resolutions
Credentials
Nominating

10:30—"It's Great to Be Alive Today"
C. Hamilton Moses, President, Arkansas Power & Light Co., Little Rock, Ark.

11:00—"The Power of Credit in Business"
Sidney R. Baer, Vice-President and Treasurer, Stix, Baer & Fuller, St. Louis, Mo.

11:30—"The Outlook for 1947-1948"
Paul M. Millians, Vice-President, Commercial Credit Corporation, Baltimore, Md.

12:00—"Charge It Please"
Arthur F. Henning, Retailers Credit Association, Sacramento, Calif., President, Associated Credit Bureaus of America.

12:20—Introduction of:
Honorary Life Members
Members from Canada
Exhibitors' Representatives
St. Louis Conference Committee

12:45—Announcements and Adjournment

Wednesday Morning . . June 18

9:30—Assembly—Ballroom, Hotel Jefferson
Community Singing

9:45—Reconvene
Reports of Committees
Finance
Nominating
Constitution and Bylaws
Credentials

10:15—"Ten Years of Progress"
Miss Agnes J. Moyer, Berks Products Corp., Reading, Pa., President, Credit Women's Breakfast Clubs of North America.

10:30—"C. S. D. and Credit Sales"
Earle B. Dows, Minneapolis Collection Bureau, Minneapolis, Minn., Chairman, Collection Service Division, Associated Credit Bureaus of America.

T. L. ROBINETTE
Store Superintendent, Robert Simpson Co. Ltd., Toronto, Ontario, Canada since 1945 . . . Joined the firm in 1928 as Collection Manager . . . Appointed Manager of Department of Accounts in 1930 . . . Appointed King's Counsel in 1938 . . . Formerly director N. R. C. A. . . . Vice President, Toronto Credit Bureau.

GEORGE C. DYER
Member of the law firm, Dyer and Dyer, St. Louis, Mo. . . . Formerly assistant United States attorney for six years . . . Was Alternate Rhodes Scholar to Oxford University from the State of Missouri . . . One of the best qualified men in the nation to talk on the subject he is to discuss . . . An excellent speaker.

EARLE B. DOWS
Owner, Minneapolis Collection Bureau, Minneapolis . . . Chairman, Collection Service Division, Associated Credit Bureaus of America . . . Served overseas during World War I . . . In 1926 was named manager Minneapolis Collection Bureau . . . A member of the Kiwanis Club and other civic organizations.

TED W. WALTERS
Vice President, the Bank of Ohio, Cleveland, Ohio . . . Third Vice President, National Retail Credit Association . . . Active in Credit and banking groups . . . Trustee, The Cleveland Retail Credit Men's Association . . . Past President, Cleveland Retail Credit Men's Co. . . . Chairman Credit Clinic Monday afternoon.

JOSEPH M. KLAMON
Professor of Economics, School of Business and Public Administration, Washington University, St. Louis . . . J.D. and Ph.D. Yale. . . . Also taught at Pittsburgh, Yale, Carnegie Tech . . . Member, American Economic Assn., American Marketing Assn., Missouri and Federal District Bar, Baltimore.

AGNES J. MOYER
Credit Manager, Berks Products Corp., Reading, Pa., for past 18 years . . . President, Credit Women's Breakfast Clubs of North America . . . Formerly employed by Berks Trust Co., and National City Bank of New York . . . Charter member of Reading Credit Women's Club . . . Also President Mid-Atlantic Council.

GHLIGHTS

ESS CONFERENCE

L JEFFERSON, ST. LOUIS, JUNE 16-19, 1947

nert Furniture Co., St. Louis, Mo.

10:45—"Installment Credit and Its Effect on Our Economy"
Elmer E. Schmus, Vice-President and Cashier, First National Bank, Chicago, Ill.

11:15—"Order Out of Chaos"
George C. Dyer, Attorney, St. Louis, Mo.

11:45—"The Opportunities and Responsibilities of the Credit Executive"
T. L. Robinette, K. C., Store Superintendent The Robert Simpson Co., Ltd., Toronto, Ontario, Canada.

12:15—CONFERENCE PHOTOGRAPH
ANNOUNCEMENTS AND ADJOURNMENT

Thursday Morning . . . June 19

9:15—ASSEMBLY—Ballroom, Hotel Jefferson
COMMUNITY SINGING

9:30—RECONVENE
AWARDING OF PRIZES

10:15—"My Most Unusual Experience in Credit Work"
Dean Ashby, Omaha, Nebr.
A. B. Buckeridge, New York, N. Y.
Harry P. Earl, Salt Lake City, Utah.
T. L. Ford, Pittsburgh, Pa.
L. M. Karpeles, Birmingham, Ala.
W. J. Kirby, Boston, Mass.

11:00—"A Look at the Economic Future"
Joseph M. Klamon, Professor of Economics, School of Business and Public Administration. Washington University, St. Louis, Mo.

11:30—REPORT OF RESOLUTIONS COMMITTEE
ACTION ON FINAL REPORT OF COMMITTEE ON CONSTITUTION AND BYLAWS
WHERE SHALL WE MEET IN 1948?
UNFINISHED BUSINESS
RECOMMENDATIONS FROM GROUP MEETINGS

12:15—ELECTION AND INSTALLATION OF NEW OFFICERS

12:30—ANNOUNCEMENTS AND ADJOURNMENT

Educational Exhibits

Acme Visible Records, Inc.
Addressograph-Multigraph Corporation
Art Metal Construction Company
Craig Cycle Billing Files
A. B. Dick Company
Farrington Manufacturing Company
International Business Machines Corporation
Kellogg Switchboard & Supply Co.
Monroe Calculating Machine Company
The National Cash Register Company
Recordak Corporation
Remington Rand, Inc.
The Sawdon Company
Shaw Walker Company
TelAutograph Corporation
Underwood Corporation

ELMER E. SCHMUS
Vice President and Cashier, The First National Bank of Chicago, Chicago, Ill. . . . Born in a suburb of Chicago, has spent entire business career with the First National Bank, starting as clerk . . . Made Vice President in 1945 . . . An outstanding authority on installment financing.

ARTHUR F. HENNING
Secretary - Manager Retailers Credit Association, Sacramento, Calif. . . . President, Associated Credit Bureaus of America . . . Has spent entire business life in Credit Bureau and Collection work . . . Past President, Associated Credit Bureaus of California . . . One of the outstanding bureau managers on West Coast.

C. HAMILTON MOSES
President, Arkansas Power & Light Co., Pine Bluff, Ark. . . . LL.B. Arkansas School of Law . . . In 1919 took over legal department of Arkansas Power & Light Co. . . . Elected President in 1941 . . . Past district governor of Rotary for Arkansas . . . Active in Masonic affairs . . . An outstanding orator.

Journeyings of the General Manager ★ ★ ★ L. S. Crowder

DEPARTED BY PLANE from St. Louis Saturday evening, March 22, for New Orleans. Was due to reach there (non-stop) in three hours and fifteen minutes. We were transferred from the large plane to a 21-passenger plane at Memphis, which delayed us a half hour, and we left St. Louis nearly a half hour late, which put us in New Orleans at 11:30, an hour late.

On the way to the hotel from Moisant Airport, I noticed an attractive illuminated sign, reading, "Welcome, National Retail Credit Association Convention—Roosevelt Hotel—March 23-24-25-26." The sign is changed for each convention, and I am sure it makes a good impression on visiting delegates, as it did on me.

Members arrived throughout the day on Sunday and early Monday. It was the 25th Annual Southern Credit Conference (now Districts 3 and 4). Registrations numbered 743, and the conference, from the standpoint of the general program and entertainment, was on a par with the Annual Business Conferences of the National.

The first address on Monday morning was by our Vice-President, Hugh L. Reagan of Nashville. It was titled "Retail Credit of Tomorrow," and was very favorably received. He stated that there is no reason for alarm, for it indicates that we are returning to normal credit operations, for prior to the war credit sales in this region represented 60 per cent of total sales value. "The consumer is now educated to pay his bills promptly and we must not permit him to drift back to slow payment," Hugh said. "Individual stores must regulate this problem." He urged retailers to use the following program in preparation for a substantial installment business: (1) Make surveys for modernization; (2) analyze and train personnel to be agreeable and efficient with customers; (3) study billing methods and operations; (4) use new equipment; (5) revise collection procedure; (6) promote new business and goodwill and make shopping easier for customers. See page 11 for this address.

The next address, "The South's Economic Future," by Hon. Sam Houston Jones of Lake Charles, Louisiana, former Governor of Louisiana, was very informative, as well as interesting. He emphasized that the South's future rests with her people and her problem is to utilize her resources to elevate the standards of living, and to place her people on a par with the rest of the country. He stated that for eighty years the South's people have been second class citizens with an inferior economy, but they are ready to move into a new position of leadership or at least equality, backed up by something solid and substantial.

On Tuesday there were addresses by Miss Agnes Moyer, Reading, Pennsylvania, President of the Credit Women's Breakfast Clubs of North America; Arthur F. Henning, Sacramento, California, President of the Associated Credit Bureaus of America. "Future Problems of Retailing" was the subject of an address by Robert W. Elsasser, formerly Professor of Economics and Management, Tulane University. He said that instead of waiting for the masses of people to rebel against disliked methods and set up regulatory legislation, smart management will anticipate such public feeling and give the people, as far as possible, what they want. "Standards are constantly changing. Unless you accept and pursue standards acceptable to the masses, you won't be permitted to operate under your own standards."

He mentioned that the thinking in Washington is that a slight degree of inflation is good for the burden of indebtedness of the country, as the burden would be terrific with declining price levels.

"So I look," he said, "for action to be taken to encourage a small degree of inflation without permitting runaway prices. This will mean declining purchasing power of the dollar or rising price levels. However, I look for a decline in prices of soft goods and foods by the end of the year." Members who attended the National Conference in New Orleans in 1942 will remember his constructive and enlightening address.

A very practical talk was made by Jules J. Paglin, Sales Consultant, on "Hidden Values in Your Credit Files." He took a vote from the audience which showed that old customers were first, inactive accounts second, and new prospects third in the order of importance in building new business. We hope to publish the address in The CREDIT WORLD. It will encourage many to devote some effort to bringing back the inactive customers.

An interesting talk was that of Hermann B. Deutsch, Associate Editor, *New Orleans Item*, on "Private Business and Public Finances." While it applied largely to New Orleans and Louisiana, it probably reflected conditions that exist in many cities and states of the nation.

An excellent address was delivered by Rev. A. William Crandell, S.J., Dean of Faculties, Loyola University, who said that justice, sincerity and courtesy should be applied in all business and human enterprise. "Good will is essential to every business in its operation," he said. "A representative reflects the good will of a company to its customers and good will is fostered by a just, sincere and courteous representative." Hope to have Father Crandell reduce the address to writing, but doubt if time will permit. Some day we may have him on a National program.

Although Harold Wallace and I were not scheduled to address the conference, we spoke briefly in the absence of Past President Robert A. Ross of Dallas, who was to have addressed the conference on "The Credit Executive of 1947," and who was unavoidably delayed.

Mr. Wallace urged the human element in relationships between retailers and credit bureaus, and urged that accounts be regulated and controlled so that a customer not be permitted to buy more than he can pay for.

In my remarks I stressed the importance of adoption of

sound credit terms by credit granters and cautioned against competition in credit. I stated that the purchasing power of the customer is as high now as at any time in history. Consumers owe about $10,000,000,000 in charge account, installment, single payment loans and professional credit. I predicted that at the rate durable merchandise is being produced, installment accounts outstanding will increase rapidly and by the end of 1947 or early in 1948, consumer debt will amount to $15,000,000,000. Explained that, in my opinion, this is not unsound, based on an income of $150,000,000,000 to $165,000,000,000; providing sound credit policies are adopted and there is no competition in credit terms. Suggested, however, that with increased production and possible slowing up of business, there will be a tendency to offer long terms, in an effort to insure maximum production and maintain employment.

Explained that "The current trend is a slowing up in payments on charge accounts," citing the present national average of 10 per cent less than a year ago. Also that bad debts in 1946 exceeded 1945 in dollars, although the percentage was less because of the high volume of sales. Urging credit men not to "oversell" the customer, I suggested that they take intelligent applications for credit, explain credit policies and terms to the customer and check applications through the credit bureau.

Six groups besides the Credit Bureaus and Collection Service Division groups met on Monday and Tuesday afternoons.

On Sunday afternoon, from 4:00 to 6:00, there was a "Get Acquainted Party" given by the Officers and Directors of the Dixie Council, Credit Women's Breakfast Clubs of North America. The formal opening of the CWBC conference was a 7:00 o'clock breakfast.

From 5:00 to 7:00 P.M. Monday the Chattanooga club gave a party honoring Mrs. Louise F. Kelley of Chattanooga, President of the Dixie Council.

The breakfast for the Credit Women's Breakfast Club at 7:00 A.M. Tuesday was one of the highlights of the entertainment. A carnival ball—giving the visitors an insight into Mardi Gras—was staged and the details carried out in the same manner as a regular ball. The King was Edward J. Dobard of the Louisiana Savings Bank and Trust Company, and the Queen was Louise Kelley. The court was made up largely of members of the Credit Association and Credit Women's Breakfast Club of New Orleans. On the opposite page is a picture of the King and Queen.

The ball revolved around the Captain, Julia J. Beer, who shouldered all the responsibility. Her aid and narrator was Mark Bartlett, who explained over the public address system all that had to do with the ball and the action which took place. The King entered with his escort and was royally received. Her Gracious Majesty then entered the ballroom and majestically received the applause of all. She was truly a queen, even if only for a morning. Both their Majesties wore crowns of many jewels and carried glittering scepters. A zestful breakfast completed the affair, and Captain Beer and Narrator Bartlett, along with the membership of the CWBC of New Orleans, are to be congratulated for providing so unique a program.

The grand finale was the banquet and dance in the Grand Ballroom, on Tuesday evening. It turned out to be The Bayou Pirates' Raid—staged by Charles D. Bornwasser and Roy Bartlett, Jr. There was a treasure chest, containing hundreds of prizes. It was most unique, a lot of fun, and thoroughly enjoyed by all. Following that, there was dancing until the wee small hours.

Nashville carried off attendance honors, with 53 delegates from that city. They arrived on a special Pullman Sunday morning, and left for Nashville Thursday morning at 11:20, in a special coach on the *Humming Bird*, new streamlined train of the L. & N. Railroad.

Officers and Directors of Districts 3 and 4 are shown elsewhere in this issue. Henry C. Alexander, Belk Brothers Co., Charlotte, N. C., was re-elected National Director to represent District 3. W. Carter Durham, R. E. Kennington Co., Jackson, Mississippi, a National member for twenty-five years, was elected National Director from District 4. ★★★

PROXY

33rd Annual Business Conference

National Retail Credit Association

St. Louis, Missouri, June 16-19, 1947

To THE NATIONAL RETAIL CREDIT ASSOCIATION:

I, a member in good standing of the National Retail Credit Association, do hereby appoint and designate ....

....

as my proxy, to act as my attorney and in my stead vote my membership at the 33rd Annual Business Conference of the National Retail Credit Association to be held in St. Louis, Missouri, June 16, 17, 18, and 19, 1947, for the election of officers or any other matter upon which a vote is taken.

WITNESS:

Signed ....

Firm ....

.... *Address* ....

Proxies can be voted only by a member in same or adjoining state as signer of proxy.

Sales Promotion · Interviewing · Investigating · Authorizing · Billing · Collections · Control

The CREDIT Clinic

A "give-and-take" page, wherein readers may ask — and answer — questions about their credit and collection problems and solve them in the laboratory of practical experience . . .

Conducted by ARTHUR H. HERT, Research Director

The Question

When merchandise is marked net cash, the account is payable in 30 days. If purchased on the deferred payment plan, one-half per cent a month carrying charge is added. The problem is: A great many of our regular 30-day charge customers notify our credit department that they will pay for this merchandise in 30 days, however, they usually take from 60 to 90 days. How are other stores handling this problem?

The Replies

Baltimore, Maryland: We have two types of accounts, one is the Charge Account, known also at this store as the Coin Account, and at other stores as the Charga-Plate Account, which we term a 30-day account, but, in reality, it is a 60- to 90-day account. The purchases are charged at the cash price and nothing is added for credit. When an account becomes past due, we do not add a carrying charge unless the balance is large and the customer agrees to have it transferred to a Budget Account with a carrying charge of six per cent. The other type of account is the Deferred Payment or Budget Account on which we give up to 12 month terms and charge a straight six per cent credit service charge. On large purchases where we are allowed to give 15 months if necessary, we charge at a rate of one-half of one per cent per month. The Budget Account is entitled to a rebate of all of the carrying charge if paid within 90 days. If not paid within 90 days, no carrying charge is allowed. There may be an exception in the case of a very large balance on which we have added, say six per cent, and if the account pays out in six months we will rebate a proportion of the unused terms, which in this case would be three per cent. On the Budget Account we add six per cent minimum, because our terms are 12 months maximum time, so we add the carrying charge and rebate the discount if the customer pays within 90 days.

★ ★ ★

Birmingham, Alabama: We are trying to hold most of our accounts on a strictly 30-day basis; however, we will put practically any merchandise on a Club Account with one-third down and the balance in 30, 60 or 90 days without carrying charges. If the Club Account is to run more than 90 days, we collect the usual down payment and then add one-half of one per cent for each month the account runs. On open accounts, after an account is 60 days past due we start adding interest at the rate of one-half of one per cent for each month it is past due 60 days.

Boston, Massachusetts: Our charge accounts are all on the same basis. That is, accounts are due in three equal payments, 30, 60 and 90 days from the orginal billing date. No carrying charge is made on any "Three Month Charge Plan" account.

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Camden, New Jersey: In opening the account or arranging for credit, we always have a definite understanding that the account must be paid in 30 days. In all cases where payment is not made in 40 to 45 days, we transfer the account to a budget account, opening a new account if they do not already have one; we add the usual budget charge and arrange payments on a monthly basis.

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Denver, Colorado: The majority of our accounts are arranged on an installment basis at the time of purchase. On these accounts no interest is charged for a normal contract period of 12 months, unless the merchandise is an electrical appliance or a fixture item on which our standard practice is to charge six per cent interest if carried other than an open 30-day account. On these electrical or fixture items we do allow a customer 90 days in which to pay the account without finance charge. However, this arrangement is sufficient to the usual down payment required, and the remaining balance must be liquidated in order not to exceed three equal installments. In cases of open 30-day charge accounts which have become past due, we allow the customer to convert the account into an installment account and pay it out within a reasonable period. It has not been our custom to charge interest on such a converted account unless the original charge was an electrical or fixture item. In such case, of course, the usual six per cent finance charge would be figured from the date of purchase to the estimated date of maturity.

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Des Moines, Iowa: It is the policy of practically all of the Des Moines stores to add one-half of one per cent per month service charge to any open account which runs more than 60 days past due. In other words, after 90 days this service charge would apply each month until paid, with a minimum charge of five cents. Of course, during the past few years there has not been much of this necessary, but credit problems are gradually increasing and it will probably become necessary soon.

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Fort Smith, Arkansas: When our customers make a practice of paying their open accounts in 60 to 90 days, we call them to the credit office and ask them

to transfer the account to a budget account, with a 20 per cent down payment. We find they appreciate this courtesy and we have saved a customer and made a friend for our firm.

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Houston, Texas: We allow our 30-day accounts to run 90 days without any interest or past-due grading.

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Kansas City, Missouri: When conditions arise which make it impossible for good customers to pay their bills in 30 days, they should be shown consideration; however, if your books show that a customer is paying practically all of her bills on a 60-90 day basis or longer, she should be compelled to open a deferred payment account in the beginning, or the account should be transferred to a deferred account just as soon as you realize she plans to pay on that basis. When the account is transferred under these conditions, interest should be charged from the time of sale.

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Knoxville, Tennessee: We do not grant an extension for any account for more than 30 days and require that the customer either pay the account in full or report to us within this period. In the event this is not done, we insist that the customer place his account on a definite settlement basis to which we add a carrying charge. Any account that exceeds the tenth of the second month is still being closed against further purchases as we did under government regulation. We feel that this policy has reduced to a considerable extent the pyramiding of accounts and we have experienced no serious customer reaction.

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Long Beach, California: The majority of our credit accounts are 30-day charge accounts. Since we use Cycle Billing, the due date of the payments is ten days after the closing date, which is always shown on the statement. When the customer wants the charge placed on a 30-day account and then takes 90 days to pay it, we feel we are entitled to add a carrying charge. The same customer has the privilege of coming to the credit office at the time of purchase and requesting the 90-day privilege on that purchase, which is then placed on a contract account with a one-third down payment. The balance is divided in three payments and there would be no carrying charge on the 90 days for the charge placed on that type of account at the time of purchase.

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Memphis, Tennessee: If the account runs over 30 days, no carrying charge is added. We feel that to add a carrying charge to an open account would have a tendency to aggravate prompt collection or cloud the issue. A past-due account simply becomes a collection problem. On installment accounts, no carrying charges are added if liquidated within 90 days. If longer terms are arranged, one-half of one per cent is added on the unpaid balance after the down payment is made. If the customer agrees to pay within 90 days and does not do so, a carrying charge is added and the customer is notified. In notifying the customer, we tell her if the balance is paid within five days we will remove the carrying charge, if not, we ask her to call and rearrange the terms.

★ ★ ★

Minneapolis, Minnesota: As all of our contracts are carried on the basis of being paid in three installments without any carrying charge, there is nothing we can do in the way of making any charge on an account if it should run 60 or 90 days. In our business, we are forbidden to make any arrangements when there are still listed items for two or more installments but there are people who do take advantage of it in which case there is no interest or carrying charge made.

★ ★ ★

St. Louis, Missouri: If the charge purchase is not paid we add a budget plan charge, not on the amount owing at the end of 90 days, but on the net amount of the credit extended when the purchase was made. As an example: let us assume a purchase of $90.00 has been made, the customer making a down payment of $20.00 and the balance to be paid as a charge. If this customer makes an additional payment of $45.00 and has a balance of $25.00 at the end of 90 days, we would add the budget plan charge on the $70.00. We add a budget plan charge on our 30-, 60- and 90-day accounts; however, we discount it if it is paid within the 90 days.

★ ★ ★

Washington, D. C.: When a customer buys merchandise on a regular account and then takes longer than the given time to pay for it, we make a note of this fact, and if she again makes a purchase the matter is brought to her attention and a firm suggestion is made: that it is our feeling the merchandise should be put on a deferred payment account.

(To be continued next month.)

CREDIT DEPARTMENT *Letters*

W. H. BUTTERFIELD *Educational Director,* **National Retail Credit Association**

A RECENT issue of HOSPITAL*ity* contains a clever rhyme entitled *A Letter Talks to Its Writer**:

Before you sign me, let me say
That I don't feel so good today.
I'm not equipped to build good will;
In fact, I'm positively ill!

My meaning isn't crystal clear;
The way I talk is insincere.
I'm cluttered up with phrases trite—
The kind of stuff they used to write.

My paragraphs are much too long;
My ending's weak instead of strong.
I'd rather not go in the mail
Because I do not want to fail.

To do my job efficiently,
I need some life and energy.
Suppose you brush me up a bit;
Imbue me with some charm and "it"!

Forget the "I" and make it YOU,
And get my reader's point of view.
Rewrite, delete, correct, revamp,
And make me worth my three-cent stamp!

If letters could talk, a great many of them would be expressing similar sentiments to writers who throw them carelessly together, and then expect them to do a man-sized job for the firm. And some of the most vociferous protests would come from account-solicitation letters, which are usually ill equipped to perform the task expected of them.

Any letter designed to gain new charge accounts has a subtle selling job to do. It must give its readers a strong incentive to become charge customers. To do this, it must point out in a convincing manner some of the advantages the credit privilege holds for the *customer*.

At the same time, the letter must avoid any trace of high-pressure selling. The hammer-and-tongs method illustrated in the following letter excerpt would only offend those whose credit patronage is desired:

> You can't afford to be without a Blank charge account any longer. So don't delay! Sign the enclosed card and drop it in the mail today. Discover from experience how pleasant shopping can be with an account at Blank Brothers.

All who write account-solicitation letters should remember that the offer of the credit privilege is a compliment to the reader.† It implies confidence in his honesty and his capacity to manage successfully the problems of personal finance. This kind of tribute should be conveyed in a message that combines dignity with friendliness—not cheapened by the mechanical superlatives of high-pressure salesmanship.

Closely related to hammer-and-tongs selling effort is the "we" approach to account solicitation by mail. Both of these faults show a discourteous lack of consideration for the reader. Nevertheless, many letters offering credit omit any mention of its convenience to the user. A typical example is *The Wrong Way* on the following page. Its writer was concerned only with the desire of his company to enlarge its list of charge customers. So intent was he upon this objective that he overlooked altogether the need of emphasizing the value of a charge account to the customer.

But the account-solicitation message *can* be presented from the reader's point of view. As proof of this statement, here is a successful example—one that induced many of its readers to open accounts. It was mailed by J. N. Adam & Company, Buffalo, New York, to sound credit risks who cashed checks at the store:

> Dear Mrs. Tracy:
>
> It is gratifying to know that we were able to accommodate you in a small way by cashing a check for you the other day.
>
> A charge account here would be a real convenience to you in matters like this. With an account there is no waiting, no bother about checks—you need only say "Charge it."
>
> In addition, a charge account gives you a monthly record of your purchases, and places your name on our mailing list to receive regular information about our special events.
>
> Opening an account for you will be a pleasure. Just fill in and sign the enclosed form, mail it back to us in the prepaid envelope, and your account will be ready for use. We shall welcome such an opportunity to make your visits here more enjoyable.
>
> Cordially yours,

The fact that all recipients of the foregoing letter had cashed checks at the store provided a logical point of contact upon which to base the message. But even when there has been no previous relationship with potential charge customers, it is still possible to write an effective letter soliciting their credit patronage. A successful method is shown in *The Right Way* on the following page. This letter demonstrates clearly that the basic principle of a good account-solicitation message is the "you" attitude.

To be effective, any letter offering the credit privilege must describe this accommodation in terms of its *convenience and advantage to the reader*. Only by complete concession to the consumer's viewpoint can the writer emphasize properly the benefits to be enjoyed from a charge account.

It's only human nature for the reader to wonder what your offer holds for him. *So it's good business psychology to tell him!*

★★★

*The following verses were adapted from those by Orville E. Reed which appeared in HOSPITAL*ity*, house magazine of the American Hospital-Medical Benefit, Detroit, Michigan.

†The remainder of this commentary is based upon the discussion of account-solicitation letters in *Credit Letters That Win Friends*, by William H. Butterfield, by permission of the publishers and copyright proprietors, The University of Oklahoma Press, Norman.

The Wrong Way

Dear Mrs. Kellogg:

We extend to you a cordial invitation to make use of our credit facilities. If you will just sign the signature card and return it to us in the enclosed envelope, we shall be glad to open your account at once.

We feel that it will be a privilege to serve you as a credit patron, and we shall appreciate the opportunity of doing so. To us, the addition of each new name to our already long list of charge customers adds something further to the prestige of Blank's in this community.

We sincerely hope you will soon give us an opportunity to hear you say "Charge it, please." We promise you a cordial welcome, and we look forward to your frequent visits.

Sincerely yours,

Each paragraph opens with We, which is used seven times in body of letter.

Reader is interested in her own problems, not in building further prestige for Blank's or any other store.

Letter should "sell" reader on opening an account before going into detail about the mechanics involved in the process.

Gives reader no incentive to open account; merely emphasizes interests of the writer and his firm.

Still overlooks any mention of advantages of a charge account to the reader.

The Right Way

Dear Mrs. Kellogg:

The charge customers of Blank & Company are leading citizens in this community, and we should like to include you among them.

A charge account here will simplify your shopping amazingly. It will save your time and assure you of many conveniences. There will be no waiting for change, no need of carrying large sums of money to pay for your purchases, no C.O.D. bother on telephone orders.

A Blank account will also simplify your budget keeping. Each month you will receive an itemized statement showing all purchases.

If you will just sign the enclosed card and return it to us in the business-reply envelope, your account will be opened immediately. It will be a pleasure to provide this convenience, and we hope you will use it often.

Sincerely yours,

Carries an implied compliment to the reader, which serves as good attention getter.

Tells reader exactly how and why a charge account will prove valuable to her in shopping.

Closing paragraph explains how to open the account, after previous paragraphs have given reader an incentive to do so.

Collection Scoreboard

Compiled by the Research Division

February, 1947 • • • • • • • • **February, 1946**

CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1947			1946			1947			1946			1947			1946			1947			1946		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Atlanta, Ga.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baltimore, Md.	48.8	55.9	43.5	54.8	62.8	44.5	27.3	36.3	20.6	32.5	45.8	21.1	46.0	47.9	44.5	54.6	59.0	48.0	—	53.3	—	—	65.5	—
Birmingham, Ala.	51.4	63.2	43.5	63.5	69.0	58.3	30.9	34.9	27.7	37.4	38.2	36.6	48.7	52.1	43.0	51.9	55.6	48.0	55.5	57.2	54.2	68.3	70.3	66.3
Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cedar Rapids, Ia.	67.7	81.0	64.9	74.0	88.0	70.5	—	24.6	—	—	29.4	—	—	—	—	—	—	—	68.3	69.4	67.2	88.6	98.0	79.3
Cincinnati, Ohio	56.4	62.8	50.4	65.2	70.3	56.2	24.1	27.3	18.8	29.9	37.4	23.2	55.8	56.4	55.2	62.0	65.3	58.7	60.4	61.2	59.6	63.7	65.9	61.5
Cleveland, Ohio	52.1	54.7	44.4	59.6	63.4	56.2	36.1	42.4	30.6	37.1	39.3	35.8	—	50.5	—	—	57.0	—	55.9	92.2	44.1	70.5	103.9	51.4
Columbus, Ohio	—	51.9	—	—	61.9	—	24.5	25.1	23.9	27.4	33.0	21.8	56.0	61.6	48.5	58.8	63.0	54.7	—	—	—	—	—	—
Davenport, Ia.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denver, Colo.	55.9	58.0	52.1	64.8	78.8	63.7	30.3	33.0	23.2	27.4	29.8	24.3	58.1	60.3	55.9	75.2	82.6	67.8	58.1	60.3	55.9	75.2	82.6	67.8
Des Moines, Ia.	54.7	58.2	56.6	67.3	68.6	66.0	—	32.8	—	—	32.8	—	63.0	70.7	54.9	74.0	81.0	66.5	64.2	70.6	57.7	72.7	94.4	51.0
Detroit, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Grand Rapids, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kansas City, Mo.	73.1	76.3	70.0	—	74.0	—	26.7	27.0	26.5	32.7	38.0	29.4	71.5	77.2	55.9	72.3	83.9	62.0	71.5	77.2	55.9	72.3	83.9	62.0
Little Rock, Ark.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Los Angeles, Calif.	56.8	64.0	50.0	70.0	74.6	53.0	35.0	50.0	29.2	—	—	—	58.0	66.5	49.0	62.9	72.5	53.2	64.5	87.1	54.5	78.6	88.0	69.9
Louisville, Ky.	50.1	50.6	49.7	63.6	66.6	60.6	25.2	36.4	19.3	27.6	39.9	20.9	55.1	61.2	47.7	59.3	61.9	55.8	55.8	63.0	48.0	76.5	94.6	63.0
Lynn, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Milwaukee, Wis.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Minneapolis, Minn.	65.8	70.9	62.4	78.7	82.7	76.9	35.3	39.1	32.3	41.9	43.8	39.3	59.6	65.2	53.9	79.8	82.2	77.3	38.4	49.8	26.9	43.7	46.9	40.5
New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New York, N. Y.	47.8	64.7	40.8	56.9	70.6	37.9	30.5	40.0	19.8	29.9	38.3	24.2	—	46.6	—	—	50.0	—	—	84.5	—	—	93.0	—
Oakland, Calif.	59.4	63.7	53.5	69.3	72.6	64.6	30.0	39.7	22.4	38.4	58.0	29.8	51.0	56.3	45.8	56.2	63.1	49.3	60.3	62.0	50.0	67.1	69.0	61.0
Omaha, Neb.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Pittsburgh, Pa.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Providence, R. I.	51.2	60.0	45.0	57.1	64.1	52.6	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
St. Louis, Mo.	60.7	65.7	56.2	71.1	75.8	66.8	32.8	36.7	28.7	37.1	41.1	34.5	50.9	59.0	41.6	59.2	71.1	50.0	56.3	61.8	50.6	69.6	80.2	62.9
Salt Lake City, Utah	72.8	77.4	67.3	78.4	92.9	76.5	30.9	32.3	28.7	34.5	35.9	33.2	63.9	71.7	56.2	—	75.2	—	—	—	—	—	—	—
San Francisco, Calif.	55.1	59.0	31.7	63.2	70.7	54.2	33.4	40.1	23.1	33.6	54.1	29.2	43.6	52.6	35.5	49.1	59.2	35.8	51.0	57.6	46.9	59.7	63.7	56.0
Santa Barbara, Calif.	61.2	70.9	50.3	—	—	—	—	—	—	—	—	—	71.8	80.3	66.0	—	—	—	67.8	72.0	61.1	—	—	—
Sioux City, Ia.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Spokane, Wash.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield, Mass.	67.9	60.6	55.2	70.1	73.4	66.8	27.6	32.5	22.7	35.4	44.3	26.4	—	69.9	—	—	75.8	—	—	61.4	—	—	70.5	—
Toledo, Ohio	52.3	57.6	48.1	60.4	65.9	59.4	25.9	27.4	22.7	27.8	29.6	23.0	53.7	54.6	52.9	—	60.5	—	49.6	51.5	47.7	51.2	53.0	49.4
Tulsa, Okla.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Washington, D. C.	50.2	61.4	41.5	55.7	60.2	51.9	22.3	27.5	17.5	24.8	28.5	20.8	—	—	—	—	—	—	—	—	—	—	—	—
Worcester, Mass.	41.8	51.5	44.7	57.1	57.4	56.9	32.8	44.2	21.5	40.1	52.7	27.6	47.0	53.0	44.0	56.0	57.0	49.8	—	—	—	—	—	—
Youngstown, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.	57.1	59.5	54.8	51.9	68.3	49.4	26.8	31.4	22.3	24.6	26.2	23.0	—	—	—	—	—	—	—	—	—	—	—	—
Vancouver, B. C.	—	95.8	—	—	77.9	—	—	34.4	—	—	37.2	—	—	—	—	—	—	—	—	—	—	—	—	—
Victoria, B. C.	71.2	78.4	64.1	74.6	80.1	69.1	44.8	48.3	41.4	50.6	58.4	42.8	—	—	—	—	—	—	—	—	—	—	—	—

WE OFTEN RECEIVE requests from our members to explain how the above collection percentages are figured. Here is an example: If on January 31 you had $200,000 credit business on your books and during the month of February you collected $100,000, you divide the $100,000 by the $200,000 outstanding, which gives you 50.0 per cent as your charge account collection percentage. Accounts charged to Profit and Loss, C.O.D. collections or monies deposited on will call transactions are not included.

Here is an example of how installment account percentages are figured: As down payments are customarily included in collections and really constitute a collection on the current month's business, the installment sales for the current month should be added to the first of the month outstandings. Suppose your outstandings the first of the month were $450,000; the current month's net sales $50,000, the total being $500,000; and collections were $70,000. You would divide the $70,000 by the $500,000 which gives you 14.0 per cent as your installment account collection percentage.

Arthur H. Hert.

Monthly CREDIT STATISTICS

CONSUMER CREDIT outstanding declined nearly 60 million dollars during February to an estimated total of 9,712 millions. Declines occurred in charge-account indebtedness and in instalment sale credit other than that arising from automobile sales while other types of indebtedness showed moderate gains.

Instalment loans outstanding increased by about 2 per cent in February, or at about the same rate as in the preceding month.

Instalment credit outstanding on automobile sales increased 8 per cent further in February, or at about the same rate as prevailed in the latter half of 1946. Other instalment sale credit outstanding declined by somewhat less than the customary seasonal amount and at the end of the month was 54 per cent larger than on February 28, 1946.

Charge-account indebtedness showed a seasonal decline in February but continued more than one-half larger than a year earlier.

Ratio of Collections to Accounts Receivable[1]

MONTH	INSTALMENT ACCOUNTS				CHARGE ACCOUNTS
	DEPARTMENT STORES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	DEPARTMENT STORES
1941					
December	20	11	12	23	46
1942					
June	22	14	13	22	56
December	31	18	15	30	65
1943					
June	29	21	21	33	62
December	35	22	22	55	63
1944					
June	31	24	28	30	63
December	36	23	39	49	61
1945					
June	32	23	43	33	64
December	36	24	48	46	61
1946					
June	33	26	55	32	60
December	35	26	47	44	54
1947					
January	29	22	47	26	52
February	28	22	42	25	51

[1]Ratio of collections during month to accounts receivable at beginning of month.

CONSUMER INSTALMENT SALE CREDIT, EXCLUDING AUTOMOTIVE

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL EXCLUDING AUTOMOTIVE	DEPARTMENT STORES AND MAIL-ORDER HOUSES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	ALL OTHER RETAIL STORES
1941	1,805	469	619	313	120	284
1942	1,012	254	391	130	77	160
1943	641	174	271	29	66	101
1944						
June	515	138	237	15	44	81
December	635	184	269	13	70	100
1945						
June	532	151	237	11	49	84
December	676	198	283	14	74	107
1946						
June	699	210	299	17	63	110
December	1,015	338	366	28	123	160
1947						
January	986	338	352	27	114	155
February	977	340	350	27	106	154

DEPARTMENT STORE SALES BY TYPE

(Percentage of total sales)

YEAR AND MONTH	CASH SALES	INSTALMENT SALES	CHARGE-ACCOUNT SALES
1941—January	49	8	43
December	53	6	41
1942—June	56	5	39
December	61	5	34
1943—June	60	4	36
December	65	4	31
1944—June	63	3	34
December	64	4	32
1945—June	63	3	34
December	64	4	32
1946—June	59	4	37
December	57	5	38
1947—January	57	6	37
February	56	6	38

TOTAL CONSUMER CREDIT, BY MAJOR PARTS

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL CONSUMER CREDIT	TOTAL INSTALMENT CREDIT	INSTALMENT CREDIT				SINGLE-PAYMENT LOANS	CHARGE ACCOUNTS	SERVICE CREDIT
			SALES CREDIT			LOANS			
			TOTAL	AUTOMOTIVE	OTHER				
1941	9,899	5,924	3,744	1,942	1,802	2,180	1,601	1,764	610
1942	6,485	2,955	1,491	482	1,009	1,464	1,369	1,513	648
1943	5,338	1,961	814	175	639	1,147	1,192	1,498	687
1944									
January	4,988	1,857	742	169	573	1,115	1,145	1,294	692
June	5,168	1,840	706	192	514	1,134	1,242	1,370	716
December	5,777	2,039	835	200	635	1,204	1,251	1,758	729
1945									
January	5,486	1,972	777	192	585	1,195	1,246	1,534	734
June	5,697	1,987	719	188	531	1,268	1,420	1,544	746
December	6,734	2,365	903	227	676	1,462	1,616	1,981	772
1946									
January	6,505	2,363	877	235	642	1,486	1,659	1,701	782
June	7,762	2,908	1,035	336	699	1,873	1,697	2,327	830
December	9,959	3,986	1,559	544	1,015	2,427	2,055	3,054	864
1947									
January	9,771	4,049	1,567	581	986	2,482	2,069	2,764	869
February	9,712	4,142	1,602	625	977	2,540	2,093	2,602	875

• *Trends in Business Activity Have Continued to Be Favorable* •

BUSINESS ACTIVITY at the beginning of the second quarter is continuing at a very high rate and in most places is higher than was generally expected. The general average of all business, which includes retail trade, industrial production, and financial transactions, is about 10 per cent higher than even the very high rate of a year ago. Few significant signs have yet appeared and this quarter is likely to be the most prosperous of all peacetime periods.

NOT ONLY is the total volume of all business transactions large but also the variations among different industries and in different sections of the country are much less than usual. The major variation is that between the production of durable goods and nondurable consumer goods. The output of the latter has not expanded so much as has the production of the former. Many of the shortages in the nondurable goods lines have been met and in some lines surpluses are appearing. These trends will probably become more prominent during the coming months.

THE LARGEST AREAS in which the volume of business has increased more than the national average include much of the Middle West, large sections of the South and Southeast, as well as in the Northwest. Business has been making the poorest showing in the territory around New York City and along parts of the Atlantic Coast. Even in the poorest regions, however, business is better than it was a year ago.

HIGHER FARM PRICES for grains and livestock which have resulted from the enormous demands for food from domestic consumers as well as for shipments abroad account for the excellent conditions among farmers. In the South the winter tourist trade has been the largest in many years and this spending has largely offset the reduction in the output of winter vegetables and citrus fruits. Increases of 20 per cent or more over last year have been reported from many communities and the trend has remained significantly upward.

IN THE NEW ENGLAND states, in part of the industrial region around the Great Lakes, and in the Southwest, business is about the same as the national average. Activity in those areas averages just a little under 10 per cent higher than a year ago and it has held quite stable throughout this year. The outstanding characteristic in all sections is the high level of retail trade. Consumers have plenty of money to buy and they evidently have enough confidence in the future to spend their incomes liberally. Even high prices have not yet seriously affected the volume of sales, although they have reduced the quantities of goods sold. As long as consumers continue to buy freely business will be good.

THE TREND OF BUSINESS in Canada is about the same as in the United States and activity has been increasing for several months. Volume of trade is highest in the agricultural regions but conditions have improved considerably in the industrial area north of the Great Lakes. Business is holding steady along both the Atlantic and the Pacific Coasts. Foreign trade has been maintained at a higher level than last year and further expansion in many lines is expected. In most lines the outlook for this quarter is favorable. —**BUSINESS BULLETIN** La Salle Extension University, Chicago, Ill.

If Production Comes, Can Promotion Be Far Behind?

NEWS OF PRODUCTION peaks is advancing into headline prominence, making us realize that if we want a constant increase in both sales and profit; it will be necessary to enrich the sales-generating ground with the vitamins C, S, and P—Credit Sales Promotion.

We know the "what-makes-it-grow" in any kind of business is the sales volume, but the stores which offer credit facilities to their customers realize that sales volume is influenced by credit volume. Hence, credit sales promotion becomes increasingly important and must assume the never-ending job of publicity—to the establishment itself, to its services, to its merchandise, and to its standing and acceptance in the trading area. There must always be a saucer-eyed alertness for new customers, new appeals, and at the same time a Monday-to-Saturday awareness of the necessity of holding old customers. While all of this work may be correlated through the credit office; it is not necessarily true that the results of these promotional efforts can all be definitely earmarked as credit sales. "What is done" is far more important than "where" the sale is credited.

Sales-Conscious Employees

Sales-consciousness should be in the mind of every credit department employee, whether it is the bookkeeper who never sees the customer or the receptionist who says "Good morning!" The credit department is often considered apart from the so-called selling departments and this idea presents a challenge to break down the classification given to many of the credit offices when they are referred to as non-selling divisions; if any department can be considered a sales department it is definitely the credit department.

Credit sales promotion must keep its roots deep down in the rich soil of the credit office or the growth is liable to be stunted. The greatest number of intimate customer contacts are formed here and it is important that every employee should realize this opportunity for development of the great good-will builder—better customer relations. This should be our first consideration: there must be constant effort for customer satisfaction; all the way from the opening of the account to the payment of each monthly bill. This is a large order, but the greatest profits come from the large orders.

The framework of our business is satisfied customers. Insignificant happenings often react unfavorably without our knowledge. The problem or complaint which the customer brings to our attention is very easily settled; we can always make amends or excuses, but what about the numerous dissatisfactions which do not come to our attention! These dissatisfactions are discussed over bridge tables and in crowded vehicles to the detriment of our good customer relations.

Good salesmanship is constantly on the alert to avoid those little things which cause irritation. We should see that our customers are always made to feel that they are welcome; otherwise we are going to have trouble getting them back. Apart from this, there is a fixed expense created when an account is established. Credit customers are investments and investments should be income-producing and not become a charge-off to obsolescence each year.

There is a right way and a wrong way of saying the same thing. Employees often think that customers ask foolish questions and that foolish questions require inconsiderate answers. If customers are in unfamiliar surroundings they must ask foolish questions. Did you ever try to find your way around in a strange city or in a foreign land? That is exactly how some customers feel when they come into your store for the first time, and your graciousness in answering will determine whether they will come back or not. The sad part about this is that when they decide not to come back, they never say anything about it; but their decision is reflected in the total sales volume.

We will have to go into a closed session with our publicity procedure and figure out methods for getting and holding our share of this increased business. We will have to sharpen our ingenuity as well as our pencils to find out what we can do and say that will appeal to thousands of new customers. But that is selling from the outside in, and before we spend too much time and money in the effort, we must take into account that a first-rate selling job has to be done from the inside out as well. Are we prepared to service these increased sales? If not, we must do something about it.—Clarence E. Wolfinger, *Credit Manager,* Lit Brothers, Philadelphia, Pa. ★★★

The Economics of Credit

W. F. LOUGHEED, *Economist,* The Canadian Bank of Commerce

THROUGH THE PASSAGE of time (accompanied by trials and errors) modern western nations have achieved a form of economy, variously referred to as the competitive system, the capitalistic system, the free exchange system, and so on. As distinguished from other forms of economic organization our system—discounting wars—is worked out and controlled by means of exchange in an impersonal competitive market. It is obvious that no economic system exists in pure form but, by and large, in the existing economic order, man provides for his livelihood through buying and selling.

In a typically barter economy the sale of one commodity, in the main, is synonymous with the purchase of another commodity. There is no possibility of a *general* over-supply on the market, since the offer to sell a commodity is simultaneous with the offer to buy a commodity; meeting of minds and exchange ensue. In a money or cash economy, a time element is introduced between the sale of a commodity or service by an individual and the purchase of another commodity by the same individual. This fundamental difference between a money and a barter economy cannot be side-stepped by defining money as a commodity. The position of money in our economy distinguishes it radically from other commodities. Its unique function is derived not from some intrinsic characteristic of money, but from human behaviour, which accepts money as a medium of exchange, and as a convenient store of purchasing power. The fact that money may be stored means that an interval, longer or shorter depending on the peculiar whim or particular necessity of the owner, may take place between the selling of one article and the purchase of another article by the same individual. The result of variations in this interval is manifested in changes of circulation of money, often a causal factor in what are referred to as booms, and depressions. Changes both in the velocity of circulation of money and in the price level are the result, not the initial cause, of changes in human behaviour with regard to spending habits.

It should be noted with reference to the individual's purchasing power that this power may be viewed as a two-element force: cash and credit. While either element may be used to obtain goods for either production or consumption there is a marked difference in origin. Cash, in the main, is acquired for service rendered; credit arises from anticipations or expectations of future returns. Space does not permit of an analysis of institutional activities with respect to capital but it will suffice to point out that there is a difference between *extending* credit and *creating* credit.

Address before the Credit Granters' Association, Toronto, Ontario, Canada, February 3, 1947. Reprinted by permission from the forthcoming textbook, "Credits and Collection in Canada."

The use of credit is important primarily in terms of the variations in its use. The possibility of buying more on credit than would be possible if consumers were paying cash for commodities at the time of purchase is true only in times of credit expansion. When the level of consumer credit is steady, consumers can buy no more on credit than they could buy if they were making only cash purchases, as part of their income must go to meet past debt accumulation. The key to the issue is in the realization of the fact that consumer credit is not self-liquidating. Producer credit may well be utilized so that the credit (debt) can be retired from the profits of use. But consumer credit is for personal consumption and must be financed out of the income of the consumer.

From Cash to Credit

Suppose that an individual has been paying cash for all his purchases and then finds that his credit is good enough to permit him to buy on credit and pay for purchases one week after they are made; if he decides to make the change he can during the first week buy twice as much as before. He can pay cash as he receives money and can buy an equal amount on credit to be paid for one week later. The following week, however, even though his credit remains unimpaired he can buy no more than if he had always continued paying cash. Whether or not we are considering one individual or twelve million can make no possible difference. Consumers cannot buy any more on credit than for cash except during the period when credit is expanding. When consumer credit expands very drastically over a long period of time men are likely to forget this and to imagine that there is some magic about credit which permits consumers to go on indefinitely buying more on credit than could be bought for cash.

The interrelations emerging from the development of mass production and the use of credit suggest a degree of circularity, causing difficulty in differentiating between causal and resultant factors. If we break into the circle, it may be noted that the development and growth of mass production methods made possible a relatively larger output, and often a lower price; thus stimulating the use of credit to create a market for the increased supply of goods. By opening up new markets, the use of credit was an impetus to the further development and refinement of mass production methods. In retrospect, it seems reasonable to assume that the supply of motor vehicles in the decade of the 1920's could not have been disposed of without some relatively easy and adequate means of putting the commodity in the hands of the consumer. The extensive use of consumer credit serves to indicate an important connection between the volume of production and the volume of consumers' purchasing power.

Effective mass production requires a sizable area of profitable markets in order to exist; and the technique of mass production for a time generates and demarcates its market. Successive reductions in sales prices, particularly in cases where the elasticity of demand is greater than unity, make it possible to penetrate into different income groups and each step of penetration forces to the attention of the manufacturer (and the dealer) the need for adopting some terms of sale which would depend on the income of the buyer rather than upon his accumulated savings. Credit techniques undoubtedly have assisted in putting the commodities of mass production into the hands of consumers whose income is relatively limited, or whose thrift was too uncertain, with particular reference to durable and/or semi-durable goods, to amass easily sums equivalent to the purchase price.

The relation of credit to the business system is conditioned by the functions which credit performs. The use of credit may assist in a fuller utilization of capital, as excess savings are made available to business for production purposes. In the same way, consumer credit permits an expansion in the total purchases possible at any given time, since the excess savings of others are available on loan.

It is assumed that a given amount of spending will have an effect upon the national income in excess of the actual volume of expenditures made. That is, the money borrowed is assumed to be spent in such a way that at least part of it becomes income for another individual who again spends, so creating income for a third person, and so on. In brief, as successive spenders distribute the amount of the original loan (minus the inherent leakages), income is created and demand is increased. A similar process may be traced when consumer credit is contracted—income decreases and demand for and consumption of commodities fall off. The propensity to consume may also be lessened in the long run if, when consumers retire the debts they have contracted, they draw on accumulated savings to maintain their consumption and standard of living at the previous level. Consumer credit in the short run may lead to an expanded market but there is not sufficient evidence available to suggest its effectiveness in *maintaining* a relatively higher level total consumption.

Two Conflicting Views

There are two conflicting views in regard to the real nature of the increase in purchasing power of the individual over short periods. It is asserted, on the one hand, that this temporary increase in demand increases production and hence creates purchasing power, so that, even in the short period, consumer credit is, in a sense, self-liquidating. On the other hand, it is maintained that instalment credit increases purchasing power in the short run only by anticipating future income, and not by increasing present income parallel with increased consumption. It seems reasonable to assume that increased production does not cause sufficient purchasing power to be advanced in time to render credit self-liquidating.

Perhaps the major problem in any discussion of consumer credit is its relation to the business cycle and economic stability. It has been noted that movements of consumer credit correspond roughly with changes in the national income. That is, when income is increasing, consumer credit will expand, as borrowers are more willing to borrow and lenders to lend in periods of good times and increasing prosperity. This expansion of consumer credit may in turn induce a further increase in income so that you have a cumulative increase in income. The reverse is also true. When income is decreasing, lending procedures often are tightened, so that a cumulative decrease in income may be induced; thus, movements of consumer credit, while they do not actually instigate changes in the business cycle, aggravate those changes once they are under way.

Two factors in the past have affected the fluctuations of consumer credit in relation to the business cycle. In the first place, consumer credit agencies tend to function cyclically in juxtaposition with, for example, the course of wholesale prices. Secondly, when production and income begin to decline and credit is contracted, consumers are faced with the more urgent need to liquidate their debts, and creditors are forced to make more pressing demands for payment. It is this very liquidity—the willingness and ability of consumers to divert part of their incomes to the liquidation of debts when income declines—that constitutes the principal danger in the use of consumer credit. In both the expansion and contraction of consumer credit, the significance of the multiplier principle is noted—the tendency to accentuate the prevailing course of the ecónomy.

The demand for the necessities of life is fairly inelastic and the consumption of these goods and commodities is fairly constant; also, it is doubtful if consumer credit *per se* represents a very large fraction of national income. Credit only becomes important or significant as this proportion increases.

The classical assumption of the price mechanism was based on the belief in the flexibility of prices, that is, price changes would absorb or counteract any changes in income. Today with certain prices rigid or sticky, and the relative inelasticity of demand for many commodities, the role of the price mechanism as an agent of economic stability is reduced. Consumer credit may result in further inelasticity of demand as incomes begin to decline. Prices do not decline in proportion as incomes decline, and price, cost, and income maladjustments are enhanced. Debtors whose incomes have been affected by maladjustments in prices instead of purchasing goods attempt to retire some of their obligations so that their debts are in line with their incomes.

With regard to the rate of savings, the theory was that there was a close relationship existing between the rate of savings and each level of income—that is, that the rate of individual savings fluctuated directly with incomes. It seems more realistic to assume that due to the practice of saving by means of fixed payments; the possibility of varying or postponing expenditures on non-necessities; and the fact that low income groups spend their current incomes, in the main, on consumption; there is little variation in the rate of saving.

The current aim of government is to achieve some degree of stability in the economy. It may be that compensatory techniques will be applied to this field of activity in coordination with cyclical budget balancing and tax-spend devices which are believed to be highly influential in the (high level) stabilization of our economy.

LOCAL ASSOCIATION *Activities*

DISTRICT TWO AT NEW YORK

At the annual meeting of District Two held in New York recently, the following officers were elected: President, Joseph M. Martin, Hurley-Tobin Co., Trenton, N. J.; Vice-President, A. E. Haas, Ludwig Baumann Co., New York, N. Y.; National Director, Paul C. Jackson, C. E. Chappell & Sons, Syracuse, N. Y.; Alternate National Director, Stannard M. Butler, *Schenectady Union-Star,* Schenectady, N. Y.; and Secretary-Treasurer, Mrs. Elsie M. Taylor, Williams Tire & Rubber Co., Troy, N. Y. Directors: Hugh Martin, The Addis Co., Syracuse, N. Y.; R. M. Severa, R. H. Macy & Co., New York, N. Y.; Miss Elizabeth Olthoff, Rosenbaum Co., Elmira, N. Y.; W. A. Atkinson, W. L. Hurley Co., Camden, N. J.; and Francis Fitzpatrick, J. N. Adams Co., Buffalo, N. Y.

DISTRICT THREE AT NEW ORLEANS

When District Three convened at New Orleans, March 23-26, the following officers and directors were elected: President, R. T. Bradberry, Georgia Power Co., Columbus, Ga.; Vice-President, Rudy Moss, Young Men's Shop, Jacksonville, Fla.; and Secretary-Treasurer, G. F. Slaughter, Credit Bureau of Athens, Athens, Ga. Directors: W. F. Phillips, Commercial National Bank, Charlotte, N. C.; Mrs. Maude Wilkinson, The Willson-Chase Co., St. Petersburg, Fla.; R. L. Moser, Jas. L. Tapp Co., Columbia, S. C.; L. R. Christie, Union Oil Co., Columbus, Ga.; and Lloyd B. Raisty, Rhodes Furniture Stores, Atlanta, Ga. National Director, Henry C. Alexander, Belk Bros., Charlotte, N. C., and Alternate National Director, Chas. H. Dicken, Davison-Paxon Co., Atlanta, Ga.

DISTRICT FOUR AT NEW ORLEANS

A joint meeting of Districts Three and Four was held at New Orleans. The following officers and directors were elected: President, Armand Rodehorst, Gately Marble Co., New Orleans, La.; Vice-President, R. W. Webb, Webb's, Jackson, Miss.; and Secretary-Treasurer, Gerald E. Tell, D. H. Holmes Co., New Orleans, La. Directors: A. W. Welch, Tennessee Valley Bank, Knoxville, Tenn.; Mrs. Frances Teter, Clark Hardware Co., Nashville, Tenn.; Abner W. Causey, I. M. Causey Co., Baton Rouge, La.; Chas. L. Boykin, Louis Wiesel Co., Tuscaloosa, Ala.; and Mildred Laughlin, Gayfer's, Mobile, Ala. National Director, W. C. Durham, R. E. Kennington Co., Jackson, Miss.; and Alternate National Director, Sam Ivey, Pizitz, Birmingham, Ala.

DISTRICT FIVE AT SOUTH BEND

At a recent meeting of District Five, at South Bend, Indiana, the following officers and directors were elected: President, Walter E. Lawrence, Bill Woods Auto Service, Battle Creek, Mich.; Vice-President, Floyd J. Redding, Kays Jewelry, Lima, Ohio; and Secretary-Treasurer, Ernest F. Overstreet, Ewing-Von Allmen Dairy Co., Louisville, Ky. Directors: Thomas G. Black, The Rayl Co., Detroit, Mich.; Harold J. Crouch, Kaufman-Straus Co., Louisville, Ky.; C. Glen Evans, Halle Bros. Co., Cleveland, Ohio; Carrie Thompson, Gilmore Bros., Kalamazoo, Mich.; Sig. L. Weisskerz, Weisskerz & Associates, Columbus, Ohio; Olaf O. Woodward, The F. N. Arbaugh Co., Lansing, Mich.; and Edith Henderson, Merchants Credit and Adjustment Bureau, Lorain, Ohio. National Director, Roy H. Gale, H. & S. Pogue Co., Cincinnati, Ohio; and Alternate National Director, Clyde C. Kortz, The Higbee Co., Cleveland, Ohio.

DISTRICT SIX AT CEDAR RAPIDS

At the annual conference of District Six, at Cedar Rapids, Ia., the following officers and directors were elected: President, Reuben Shapiro, First Street Store, Duluth, Minn.; Vice-President, K. G. Slocomb, Black & Armstrong, Ltd., Winnipeg, Canada; and Secretary-Treasurer, Neal Paul, Cook Corp., St. Paul, Minn. Directors: C. J. Basler, Thomas Kilpatrick Co., Omaha, Nebr.; Fred Aldrich, Continental National Bank, Lincoln, Nebr.; Louis R. Walters, Standard Oil Co., Des Moines, Ia.; J. L. Allen, Juster Bros., Minneapolis, Minn.; and Tom Elliott, Watson Coal Co., Sioux City, Ia. National Director, C. Ray Stowell, T. S. Martin Co., Sioux City, Ia., and Alternate National Director, Rex Smith, Ben Simon & Sons, Lincoln, Nebr.

DISTRICT THIRTEEN AT SOUTH BEND

A joint conference of the Fifth and Thirteenth Districts was held at South Bend, Indiana. The following officers and directors for District Thirteen were elected to serve during 1947: President, A. B. Hunter, The Rudolph Wurlitzer Co., Chicago, Ill.; Vice-President, M. J. Barnfield, Geo. Wyman & Co., South Bend, Ind.; and Secretary-Treasurer, Harriet Jewell, Robertson Bros. Dept. Store, South Bend, Ind. Directors: M. W. Allen, Drs. Patton, Evans, Lewis & Masters, Springfield, Ill.; Margaret Stone, Salm's Inc., Evansville, Ind.; Nelle Stombs, Eddie Gippert Garage, Rock Island, Ill.; A. T. Sutherland, Madison General Hospital, Madison, Wis.; Wm. A. Schenk, Ideal Pure Milk Co., Evansville, Ind.; William Streeter, Nelson Bros. Furniture Store, Milwaukee, Wis.; and Earle Harrison, Marshall Field and Co., Chicago, Ill.

To do more business profitably, and to help locate "lost customers," always take a complete credit application from all new accounts and check these through your Credit Bureau.

In The NEWS

INCOME PAYMENTS to individuals in January totaled $14.4 billion, an increase of 10 per cent over the same month last year, the Commerce Department reported. This was at the annual rate of $176 billion, equivalent to a per capita income of $1,234, and compared with the record annual total of $165 billion in 1946.

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OVER-ALL DISPOSALS of war surplus by domestic agencies in February set a new monthly record of $1,262,-200,000 in original cost, according to preliminary figures of the War Assets Administration. The February total included the sale, for $143 million, of the Big and Little Inch pipelines and $237 million of Army K rations.

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A RETURN of foreign trading methods of operation to their prewar pattern was in evidence at the thirtieth annual conference of the New York Export Managers Club. The subjects discussed indicated that exporters already are looking forward to and preparing for a return of a sellers' market.

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EXTENSION OF federal control over exports until June 30, 1948, has been requested by President Truman in a message to Congress.

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INSTALMENT ACCOUNTS receivable at jewelry and furniture stores decreased by about the customary amount in February. Jewelry store accounts receivable were nearly three-fourths larger than a year earlier, while those at furniture stores showed a 27 per cent rise. Household appliance store accounts receivable increased slightly in February and at the end of the month were approximately double the amount outstanding on the corresponding date last year. Jewelry and furniture store collection ratios on instalment accounts declined one point in February to 25 per cent and 22 per cent, respectively. At household appliance stores collections during the month were 42 per cent of instalment accounts outstanding on February 1, as compared with 47 per cent in the three preceding months.

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THE RISING price spiral is approaching the lofty peak reached briefly in the spring of 1920 on the inflationary surge after World War I.

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LOOK AND LISTEN signs are being posted by many businessmen. This precautionary attitude is based partly on the assumption that rising prices would stiffen consumer resistance and bring a business let-down.

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CONSUMER INSTALMENT loans held by leading types of lending institutions increased further during February, reached an estimated 2,076 million dollars by the end of the month the total amount outstanding was up 51 million dollars or 2.5 per cent over the January level and about 65 per cent over the year-ago level. The volume of loans made during the month was about four per cent below the previous month's volume, but approximately one and one-half times the volume a year ago.

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THE HESITANT mood of the stock market plainly registers widespread skepticism over the soundness of the commodity price spiral.

Reading this publication carefully and regularly will contribute to your success as a Credit Executive

RETAIL ESTABLISHMENTS in the country have increased in number 29 per cent since 1943 to a total of 1,868,000, according to estimates prepared by the Domestic Distribution Department of the Chamber of Commerce of the United States.

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THE AVERAGE annual business per store was estimated at $51,000, ranging from $16,000 for filling stations to $260,000 for department stores and general merchandise.

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THE "INSUROGRAPH" is being installed at airports for travellers. This vending machine, for a quarter, writes a life insurance policy of $5,000. You just write when your plane leaves, your destination and your beneficiary . . . the machine whirs a moment, and the policy is yours.

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INSTALMENT ACCOUNTS outstanding at department stores at the end of February showed less than the usual seasonal decline and continued considerably above the level of a year earlier. Collections on instalment accounts decreased 5 per cent, and the ratio of collections during the month to accounts outstanding on the first of the month was 28 per cent, one point less than in January. At the current rate of repayment, instalment accounts would be outstanding, on the average, about six months.

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ONLY 17.5 PER CENT of the patients in veterans' hospitals are being treated for disabilities connected with service in the armed forces, according to General Paul R. Hawley, Medical Chief, Veterans' Administration.

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CHARGE ACCOUNTS receivable in department stores were reduced by about the usual seasonal amount in February, and were more than one-half larger than a year ago. The February collection ratio on charge accounts was 51 per cent, as compared with 52 per cent in the preceding month and 61 per cent in the corresponding month of 1946. The average collection period for charge accounts in February was approximately 58 days.

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COMMUNIST PENETRATION of unions, and suggestions on how to meet the Red tactics, are detailed in a third report by the Chamber of Commerce of the United States on Communist activities in the United States.

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BUSINESS FAILURES in the week ending February 15, totaled 62 as compared with 25 in the same period of last year. Insolvencies with liabilities in excess of $5,000, numbered 55.

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ACCORDING TO A Twentieth Century Fund report, 100 great corporations got 80 per cent of all war contracts.

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RETAIL FURNITURE store sales increased seasonally in February, and continued well above the year-ago level. Cash sales declined slightly and were 4 per cent below the year-ago volume. Instalment sales increased slightly, as is usual in February, while charge-account sales rose 23 per cent. Both instalment and charge-account sales were substantially larger than in February, 1946.

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CONSUMER CREDIT control appears headed for discard this summer. The Federal Reserve Board's request for permanent regulation is getting a cold shoulder from Congress.

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INSTALMENT ACCOUNTS receivable in furniture stores were one per cent less than in January, but showed a gain of 30 per cent over the corresponding date of 1946.

Editorial COMMENT

The Direct Inquiry And The Consent Decree

A DIRECT INQUIRY may represent a request for credit information from a credit granter in any line of business located in the city in which the customer resides, or in another city or state. In most instances, the direct inquiry is the result of the customer giving as a reference the name of the credit granter receiving the request for credit information.

Condition 1 of the *Stipulation* entered May 6, 1936, in connection with the Consent Decree of October 6, 1933, is as follows:

"That all individual members, that is merchants, stores and the like, of the Association and the Corporation will strictly refrain from any agreement or tacit understanding that they will refuse to answer direct inquiries for credit reports and information and will abandon any agreement and understanding and concerted practice of referring all such direct inquiries to Credit Bureaus of the Association or Corporation of which they are members."

From a reading of the *Stipulation* we would say that it was written for the purpose of restraining or enjoining two or more credit granters from making an agreement among themselves or with the credit bureau that they would refuse to answer direct inquiries. The stipulation, on its face, deals alone with *joint* action by way of *concert* or *agreement* as to the handling of direct inquiries. It does not undertake in any way whatever to say what any single credit granter, acting on his own judgment or inclination and without agreement with any other credit granter or credit bureau, shall do with such direct inquiries as he may receive.

So far as the *Stipulation* is concerned, therefore, every credit granter is free, so long as he acts on his own initiative and judgment and without any agreement or concert of action with any other credit granter or credit bureau, to answer or refuse to answer any direct inquiry which may come to him.

The Consent Decree and Stipulation do not apply to our members in Canada.

L S Crowder

General Manager-Treasurer

THE EMBLEM OF NATIONAL RETAIL CREDIT ASSOCIATION FOUNDED 1912 SOUND CREDIT

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